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**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE**

Working Party No. 2 on Competition and Regulation

**Market Studies and other Market Analysis Tools for Competition Authorities – Note by
Israel**

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This document reproduces a written contribution from Israel submitted for Item 4 of the 80th meeting of Working Party 2 on 3 December 2025.

More documentation related to this discussion can be found at: oe.cd/msmat.

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1. In view of the expected Working Group 2 Roundtable on Market Studies and Other Market Analysis Tools, this Contribution by the Israel Competition Authority (the "ICA" or the "Authority")¹ will elaborate upon the normative framework outlining the ICA's powers relating to market studies; it will also highlight some of the practical considerations at the basis of the choice of the market examined and will conclude with a discussion and examples of recent years' market studies conducted by the ICA.

1. Introduction and Normative Framework

2. Israel's Competition Law (the Competition Law, 5748-1988; the "Law" or the "Competition Law") provides the ICA with a normative framework for conducting market studies aimed at identifying market failures and barriers to competition². The findings of such studies can be submitted to the Minister of Finance and to other ministers with official responsibilities in the relevant market and are published to the public. While the ICA may issue recommendations for remedies, it does not possess the authority to enforce their implementation.

3. In addition, the Law empowers the ICA to issue binding requests for information in order to obtain all data necessary for the preparation of its market studies³.

2. Practical Considerations

4. When selecting a market for examination, the ICA applies a cost-benefit rationale. On one hand, it considers factors such as the market's size, its impact on consumer welfare, and indications of potential market failures arising from deficiencies in the competitive process. In the case of empirical market studies, an additional key consideration is the existence of a clearly defined research question and an empirical framework that allows for the identification of the effects of the variables under examination. On the other hand, it takes into account the resources required to conduct the study. These considerations have led the ICA in recent years to prioritize market studies in the food sector and the financial markets.

5. In recent years, the ICA has conducted between two and four market studies annually. These studies are typically empirical in nature and focus on a limited number of

¹ The information provided in this Contribution does not, and is not intended to, constitute legal advice, nor does it purport to encompass all aspects arising with reference to this subject.

² Section 44A(a): "The Director-General may conduct examinations of the level of competition in various sectors of the economy, including examination of the existence of failures in competition and barriers to competition, and may forward the reasoned conclusions of his examinations and his recommendations to the Minister responsible for the subject-matter of the examination and to the Minister of Finance, and in a sector which is by law regulated by another body – also to the head of that body."

³ Section 46(b) of the Law, which empowers the Director-General to make binding requests for information, grants this power with regard to any information that will ensure or facilitate the implementation of the Law – this includes implementation of Section 44A.

research questions. Many of them rely on extensive and unique micro-level datasets, while qualitative information is often used to complement the core empirical analysis.

6. In addition to these empirical studies, the ICA also carries out more theoretical projects aimed at developing improved methodologies for assessing market power in specific or complex market settings, such as the wholesale electricity market and the waste management sector. These studies are based on stylized facts of the industry, economic modeling, and both theoretical and empirical economic literature, which together serve as their main analytical foundations.

7. Although no quantitative evaluation has been conducted to measure the impact of the ICA's market studies, it is generally recognized that their findings have had a significant influence on internal government discourse, fostering evidence-based discussion and decision-making processes. The ICA's recommended remedies are typically given substantial weight by policymakers, although they are not always fully implemented. A further long-term benefit is that the deeper understanding of market dynamics gained through these studies enhances the ICA's capacity to assess mergers or enforcement cases in the studied markets or in related markets that may be affected.

8. It is also worth noting that an additional byproduct of conducting empirical market studies is the enhancement of the ICA's capacity for quantitative analysis in merger assessments and enforcement cases.

3. Case Studies and Examples of Market Studies

9. Detailed below are some of the market studies performed in recent years by the ICA, as well as ongoing projects:

3.1. Health Insurance (2020, 2021)⁴

10. The purpose of this market study was to examine the effects of incentives provided to health insurance agents. In general, the complexity of consumer choice in financial markets gives rise to intermediaries, such as financial advisers who play an important role in bridging information gaps and improving consumer decision-making. However, when financial advisers are remunerated by financial institutions, their incentives may create moral hazard issues, leading them to steer consumers toward products that yield higher commissions. While the presence of intermediaries can have pro-competitive effects, such incentive distortions may also generate anti-competitive outcomes. Accordingly, the central research question of the study was whether agents tend to direct customers toward products that maximize their own fees.

11. To address this question, the ICA collected data from all major health insurance providers, including detailed micro-data on every health insurance policy between 2012 and 2018. The dataset included information on policy type and coverage, the identity of the agent, policy price, fees paid to the agent, and consumer characteristics. The analysis revealed strong evidence of consumer inattention, leading to sub-optimal purchasing patterns, and identified steering behavior among agents, who tended to concentrate their policies with a single dominant provider—the one paying them the highest fees.

⁴ ICA (2021). Market Study: Health Insurance – Interim Report ([link](#))(Hebrew); ICA (2020) Health Insurance: The Effects of Insurance Agents' Incentives – Draft Final Report ([link](#))(Hebrew).

12. Following the study, the ICA recommended that health insurance providers revise their fee structures to reduce the inherent bias caused by differences in agent commissions and to mitigate the “reverse competition” effect that can arise when providers compete for intermediaries rather than consumers. Although this proposal initially faced opposition from certain government bodies, an inter-ministerial committee in 2025 recommended adopting a fixed-fee structure designed to promote more objective advice.

13. Moreover, the findings of this market study played a significant role in the assessment of the **Harel–Isracard merger**, involving the leading health insurance provider and the largest credit card company.⁵ The ICA ultimately blocked the merger due to concerns that Isracard’s consumer data could enable Harel to engage in price discrimination, increasing profits and consequently agent commissions in ways that rival providers could not match, potentially leading to partial foreclosure. The analysis underlying this decision relied heavily on the deep understanding of the relationship between health insurance providers and agents that was developed through the market study.

3.2. Mortgage market (2021)⁶

14. The purpose of this study was to examine the extent to which information frictions in the mortgage market undermine consumers’ ability to obtain the most favorable loan terms. To this end, the ICA collected comprehensive data from all banks on mortgage applications and loan initiations between 2015 and 2017, including detailed information on loan characteristics, borrower profiles, and asset attributes.

15. The study found that, after controlling for loan type, borrower characteristics, and asset features, there remained significant price dispersion across loans. Moreover, greater consumer search intensity was associated with lower loan prices. The ICA concluded that consumers’ search intensity was sub-optimal. Two key market characteristics were identified as contributing to this inefficiency.

16. First, obtaining a price quote for a specific mortgage type involved high transaction costs. At the time of the study, borrower-specific online price quotes were unavailable, forcing potential borrowers to visit bank branches in person. Second, the structure of mortgage loans in Israel is uniquely complex: each mortgage typically consists of several sub-loans of different types (for example, fixed-rate and adjustable-rate components of varying durations), resembling a financial asset portfolio. This complexity, combined with the lack of standardized quoting formats, often prevented consumers from obtaining comparable offers across banks, making it difficult to identify the most advantageous loan.

17. Following the study, the ICA recommended that banks be required to make it easier for consumers to obtain online, comparable, borrower-specific price quotes, as well as to request customized quotes for loans of their choosing. Shortly after the recommendations were made, the Bank of Israel’s Banking Supervision Department published amended regulation that closely resembled the recommendations made.

⁵ OECD (2024). The Intersection between Competition and Data Privacy – Note by Israel.

⁶ ICA (2021). Information Frictions: Price Dispersion and Search in Israel Mortgage Market – Final Report ([link](#))(Hebrew)

3.3. Food sector (2024 & ongoing)⁷

18. Following a significant rise in food prices and given the persistently high cost of food in Israel, the ICA has undertaken a series of market studies examining supplier–retailer relationships within the sector. The current focus areas include the existence and potential consequences of **portfolio effects**, as well as the impact of the introduction of **private labels** into various product markets.

19. To this end, the ICA collected detailed cost and revenue data at the SKU (Stock Keeping Unit) level from 16 major suppliers, both importers and domestic producers, and from five large retailers. As an initial step, the ICA analyzed the evolution of aggregate profit allocation between suppliers (particularly importers) and retailers. The analysis revealed a slight decline in suppliers' profit margins, while retailers' margins remained relatively stable over the examined period.

These findings suggest that the recent increase in consumer prices is unlikely to be primarily driven by the exercise of market power by suppliers—at least with respect to the markets covered by the study.

3.4. Retail Banking (ongoing)

20. Israel's Competition Law authorizes the Director-General to impose remedies when she determines that a market is dominated by a small number of firms engaging in limited competition, referred to in the law as a "**Concentration Group**".

21. In recent years, a sharp increase in interest rates has brought renewed attention to competition in the retail banking market. Despite the increase in the Bank of Israel's policy rate, interest rates offered to consumers on retail deposits have remained persistently low, particularly compared with rates in other financial segments. This, together with other initial indications of weak competitive pressures, has led the ICA to consider designating the five leading banking groups in Israel as a concentration group and introducing appropriate remedies in the market. The ICA collected internal documents and micro-level data on consumers' use of banking services.

4. Conclusions

22. The market studies conducted by the ICA reflect its ongoing efforts to better understand the functioning of key markets and the factors that limit competition within them. Although the ICA's ability to implement remedies directly is limited, the insights gained through these studies have helped inform policy discussions and contributed to more evidence-based decision-making across government bodies.

23. These studies also strengthen the ICA's internal analytical capacity and improve the quality of its assessments in merger and enforcement cases. By deepening its understanding of market structures and behavior, the ICA is better equipped to identify potential barriers to competition and to propose practical ways of addressing them.

24. Looking forward, the ICA intends to continue conducting market studies as a means of supporting its broader mission to promote competition. Even when their direct impact

⁷ ICA (2024). Market Study: Examination of the value chain in consumer products of large importers. ([link](#))(Hebrew)

may be gradual, these studies remain an important tool for building knowledge and fostering dialogue on competition policy in Israel.