

From: [REDACTED]

Sent: Tuesday, 11 August 2026 2:38 am

To: [REDACTED]

Cc: [REDACTED]

[REDACTED]

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[REDACTED]

Subject: RE: Introduction – Bank of Israel and NZ Commerce Commission

[REDACTED]

Thank you for your inquiry and for sharing the context of the Commerce Commission's ongoing work regarding interchange fee regulation. We are pleased to provide some background on the Israeli framework.

As a general point, the methodology applied in Israel for determining the interchange fee does not differentiate between types of domestic payment cards, including between personal and commercial credit cards. Accordingly, interchange fee levels in Israel are not determined separately for commercial and consumer cards.

The interchange fee on domestic card transactions in Israel is based on the Long-Run Incremental Cost approach, in accordance with a methodology approved by the Antitrust Tribunal in 2006. Under this approach, the interchange fee is intended to reflect only the benefits provided to merchants, while striving to achieve a competitive price and avoid cross-subsidization between acquiring-related services and other services.

The methodology establishes a number of principles regarding the identification of the services from which merchants benefit, the allocation of costs to those services, the transactions for which the fee should be calculated, and the manner in which costs are weighted across different issuers to arrive at a single market-wide fee. The methodology identifies two principal merchant-benefiting services: payment guarantee and transaction authorization, as well as the financing of interest-free credit periods (this component is currently attributed only to credit card/deferred debit card transactions).

This methodology served as the basis for a settlement agreement between the credit card companies and the Commissioner of the Israel Antitrust Authority, which was approved by the Antitrust Tribunal in March 2012. Subsequently, with certain adjustments, it also served as the basis for the decision of the Governor of the Bank of Israel regarding the level of the fee charged by issuers to acquirers for debit card transactions (June 2015), and for the framework for the gradual reduction of the interchange fee (February 2018). Additional information is available in the Bank of Israel's press releases of [16 January 2018](#) and [25 February 2018](#), together with the accompanying documents published on the Bank of Israel website.

It should be noted that there may be differences between the Israeli and New Zealand payments markets, including in the structure of the payments ecosystem and the use of various payment instruments. Such differences may also influence the role, characteristics, and extent of usage of commercial cards, and therefore may limit the direct comparability of outcomes across jurisdictions.

We hope this helps.

Best regards,

[Redacted]

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Bank of Israel

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