

Draft Memorandum: Applicability of Certain Israeli Mandatory Laws to a Foreign Business Targeting Customers in Israel

Client Update - February 2026



Dear Clients,

The Ministry of Justice has published a draft legislative memorandum concerning the application of certain Israeli mandatory laws to foreign businesses whose principal place of business is outside Israel, where they direct their activity to customers in Israel and sell them goods or services, mainly in the context of online contracting and standard form contracts (click [here](#) for the full text of the memorandum).

Background

The expansion of online commerce and cross border engagements between customers in Israel and foreign businesses, including through standard terms of use that sometimes contain foreign choice of law clauses, continues to raise questions as to the substantive law that applies to the engagement and to disputes arising from it. The draft memorandum seeks to establish a clear statutory rule, following recent case law trends, regarding the application of Israeli mandatory laws in such cases.

Key elements of the proposed arrangement

The memorandum proposes that a foreign business directing its activity to customers in Israel would be subject to the Israeli mandatory laws listed in the Schedule to the memorandum, when selling such customers goods or services. Indicators of directing activity to Israel include proactive steps to market and sell in the Israeli market, as well as cases where the transaction relates to real estate located in Israel.

In addition, the memorandum proposes requiring a foreign business that targets customers in Israel to publish prominently on its website, if any, either the address of its representative in Israel or an email address for purposes of sending copies of pleadings.

At this stage, the Schedule includes, among other statutes, the Consumer Protection Law, 5741 - 1981, the Protection of Privacy Law, 5741 - 1981, the Standard Contracts Law, 5743 - 1982, and the Payment Services Law, 5779 - 2019.

In parallel, the memorandum proposes an indirect amendment to the Standard Contracts Law, under which a term in a standard form contract that provides that the governing law of the contract is the law of a country other than Israel, or that grants the supplier an exclusive right to choose the governing law, would be added to the list of terms presumed to be unfair.

The memorandum further proposes repealing Section 47 of the Payment Services Law and regulating the applicability of that regime under the proposed new law.

Potential practical implications for companies and businesses

If advanced and enacted, the proposed arrangement may increase regulatory and legal exposure for foreign businesses targeting activity to Israel, including in the areas of consumer protection, privacy, and standard form contract terms, even where contractual terms refer to foreign law.

At the same time, it may sharpen the need to assess in advance the characteristics of the activity in Israel, the content of terms of use, customer support mechanisms, privacy policies, and the overall contracting framework with customers in Israel, including the publication of designated contact details for litigation related purposes.

Comments on the memorandum

The memorandum is open for public comments until February 17, 2026.

We would be pleased to assist clients interested in assessing the implications for their activity and in formulating comments for submission.

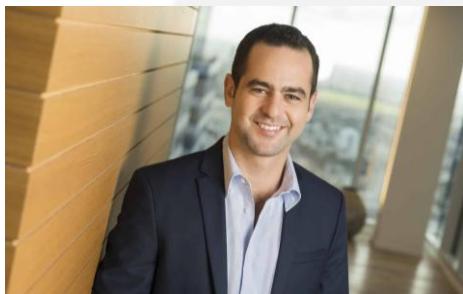
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