



Bank of Israel

**Annual Report of the Banks'
Clearing House Committee**

2015



Bank of Israel

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The 2015 Annual Report of the Banks' Clearing House Committee is presented herewith to the Banks' Clearing House Committee members in accordance with Part A, Chapter 101, Section E of the Clearing House Rules.

Preface

I respectfully submit the 2015 Annual Report to the members of the Banks' Clearing House pursuant to Part A, Chapter 101, Section E of the Clearing House Rules.

The year 2015 was challenging and interesting. Among other things, this year we dealt with the merger of several Settlement Participants; prepared for implementation of the Electronic Check Clearing Law; incorporated the clearing of Diamond Denominated Accounts into the Clearing House Rules, and established a permanent subcommittee on this issue; and we made changes in various work procedures.

I would like to commend the Settlement Participants' preparations this year for the mergers of several banks. These bank mergers were not originally included in the work plans for the year, but were concluded successfully at the busiest times of the year (in September, a month of holidays around the Jewish New Year, and in December, concurrent with preparations for the end of the Gregorian calendar year), while meeting extremely tight deadlines. Settlement Participants' responsiveness and preparations for the mergers, with the given timetable, are a testament to the productive collaboration and mutual assistance that characterize the relationship among Clearing House Committee members.

Also in the past year, the Bank of Israel and the banks that are Settlement Participants invested extensive efforts to promote the legislation of the Electronic Check Clearing Law, and indeed, on June 6, 2015, the bill was approved by the Knesset in the first reading, and on February 10, 2016, the Law was published in the Official Gazette, *Reshumot*. At the same time, throughout 2015, we energetically continued to prepare for the implementation of the Law, from both a technological and business perspective—including the establishment of an image transmission communications network, planned changes in the banks' systems, and planned amendments to the Clearing House Rules. This project is a significant challenge for us all, and I am confident that we will meet this challenge successfully in line with the timetable set in the Law.

The professionalism, diligence, and collaboration that characterize the work of the Clearing House Committee and its members are essential for promoting the issues that require attention in forthcoming years. Together we will be able to implement reforms

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and promote fundamental changes of significance for the Israeli economy as a whole and for the Banks' Clearing House in particular.

With thanks and appreciation,

Ronit Chitayate

Banks' Clearing House Committee Chairperson

1. Main Developments in 2015

A. The Banks' Clearing House Committee

The Banks' Clearing House Committee convened nine times in 2015 and discussed various issues. The main issues that were discussed are presented below:

Bank mergers – U-Bank and Poalei Agudat Israel Bank (PAGI) merge with First International Bank; Arab Israel Bank merges with Bank Leumi

In 2015, First International Bank of Israel announced its intention to merge with U-Bank and PAGI (Poalei Agudat Israel Bank), while Bank Leumi announced its intention to merge with Arab Israel Bank. U-Bank's merger was carried out on October 1, 2015, and the mergers of PAGI and Arab Israel Bank were conducted on January 1, 2016. The Bank of Israel led this process, in conjunction with Settlement Participants and the members of the Banks' Clearing House Committee. The mergers were concluded successfully due to the efforts and advance preparations of the clearing houses (Zahav, Masav, Paper-based (Checks), and the TASE) and their participants.

Abolition of manual settlement

In the first clearing house session, presentations and returns of nonmagnetic (manual) drafts are transferred, such as manual debits and credits and returns of manual debits and credits. Since manual settlement is not efficient and entails risks, a subcommittee was established to examine the possible abolition of manual settlement and shift to electronic settlement or to advanced and secure payment systems.

In the course of the Banks' Clearing House Committee's discussions in 2013, the Committee's members agreed that the date for final preparation for the process of corporate securities issuance will be the same as the date for the complete abolition of manual settlement activity and the termination of the relevant clearing house session, in view of the fact that most of the value of debits in the manual settlement session stems from settlement of the proceeds of corporate securities issuances. Changes in the settlement of corporate securities issuances were reviewed together with the Israel Securities Authority. After a study of the costs and benefits of establishing such a system led by the Tel Aviv Stock Exchange (TASE), this option was rejected. In 2016, we will continue to examine solutions for shifting settlement of corporate securities issuances from manual to electronic settlement.

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The activity of the manual clearing house declined in recent years (from a total of 250,000 transactions in 2012 to 223,000 transactions in 2015, reflecting an 11% decline in the number of transactions). The Settlement Participants will continue to take action to reduce the scope of manual settlement until its ultimate abolition.

In 2015, the subcommittee for promoting the abolition of manual settlement resumed its operations. The subcommittee examined the type of transactions that are manually settled, in addition to corporate securities issuances, and how they can be shifted to electronic settlement. The types of transactions are: return of checks at a late date; requests for letters of indemnification in the event of missing documents, settlement of optical vouchers; promissory notes; and enquiries.

The subcommittee will continue its work in 2016.

Promoting the check truncation process and legislation of an electronic clearing law

The proposed Electronic Check Clearing Law, 5776-2016¹ was approved by the Knesset in its first reading on July 6, 2015. The bill was transferred to the Economics Committee, which approved the Bill on January 12, 2016, and transferred it to a second and third reading in the Knesset. On February 1, 2016, the second and third readings of the Law were approved by the Knesset. The Law was published in *Reshumot* (the official Gazette) on February 10, 2016.

The Electronic Check Clearing Law makes possible the transition from physical settlement to electronic settlement of checks, by discontinuing the further processing of a check beyond the charging bank at which it is deposited and transmitting files of a check image to the bank at which it is presented for settlement, together with an electronic record. This method has several significant advantages:

- ✓ **Savings in banking fees**—The Electronic Check Clearing Law will allow customers to use various digital media (rather than bank clerks) to deposit checks drawn on various banks. This implies that **all customers can save approximately 75 percent of the bank fees that they currently are charged**. In other words, instead of paying NIS 6.50 as a teller-executed transaction fee, customers will pay

¹ The final version of the Law is available on the Knesset website (in Hebrew) at: <http://main.knesset.gov.il/Activity/Legislation/Laws/Pages/LawSecondary.aspx?lawitemid=566784>

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NIS 1.50 as a customer-executed transaction fee; Customers who join the fee tracks program may save even more.

- ✓ **Enhanced customer convenience**—Imaging of checks will allow banks to offer technologically advanced services such as check deposits through mobile phones (currently, a check can be deposited using a mobile phone only if the drawee and payee banks are the same bank). That is, customers will not be required to physically deposit a check through a teller or through a service box or ATM at the bank branch.
- ✓ **Reducing the time to finality of the transaction**—The change that the Law entails potentially reduces the time elapsing from presentation of the check for payment to crediting of the customer's account (currently, the credit to the customer in respect of the check is final only after three business days). It should be noted that reducing the time to confirm finality also depends on additional variables, and the feasibility of reducing this interval will be reexamined after the new system is assimilated and sufficient experience has been gained.
- ✓ **Increased efficiency in check clearing**—Elimination of the need to physically transport, store, and retrieve checks using obsolete check-sorting machinery.
- ✓ **Increased efficiency in the use of checks as evidence presented to government authorities**—Legal proceedings will be able to use print-outs that have been scanned using stringent, controlled means, instead of retained checks. This will reduce the administrative procedures involving government agencies such as court enforcement authorities.
- ✓ **Prevention of lost checks**—The Law will significantly reduce the number of lost checks, compared with the manual clearing process.

Furthermore, as part of the implementation of the Electronic Check Clearing Law, the Banks' Clearing House Committee must arrange for the setting up of the infrastructure for transmission of check images, define the new business procedures, and revise the Clearing House Rules accordingly.

To this end, three subcommittees have begun to operate — the Subcommittee for the Definition of Principles for Image-Based Work Processes, the Subcommittee for the Establishment of a Communications Network between Settlement Participants for Transfer of Check Images, and the Subcommittee on Changing the Clearing House Rules.

Examining the Procedure for Settlement of Payment Vouchers

The subcommittee recommended to apply to settlement of payment vouchers a procedure similar to check truncation such that payment vouchers will stop at the payee bank (the bank at which the voucher is paid), and image files will be transferred to the respective drawee banks. The proposal is to discontinue transfer of physical vouchers to institutions, as per the current Clearing House Rules, and instead, the institutions will receive files of the credit records and image files only. Voucher images will be transferred to the institutions by the Kasefet (virtual vault) system and/or website, on their account page. It was proposed that in the first stage, the vouchers will stop at the central clearing house of each bank, and in the future, when preparations for check truncation have been completed, the vouchers will stop at bank branches (end-points).

In 2015, the Banks' Clearing House Committee approved the aforesaid proposed process and determined that its application date would be the effective date of the check truncation process.

Re-examination of reasons for return of checks

The reasons for returning checks are listed in Appendix 305 of the Clearing House Rules. The Banks' Clearing House Committee decided to re-examine the reasons for returning checks in view of the technological and regulatory changes anticipated when the Electronic Check Clearing Law comes into force. To study this issue, a work team was established to review the reasons for returning checks and Masav instructions. In 2015, the team submitted an interim report to the Banks' Clearing House Committee. The team decided that it would draft clarifications for each reason for returning checks. The clarifications are intended for all users, both bank customers and the banks themselves, and therefore the clarifications will be appended to the reasons for returning checks and published in Appendix 305 (Reasons for Returning Checks), which is also published on the Bank of Israel website and available to the public.

The work team will continue its work in 2016 and will submit a final report for approval by the Banks' Clearing House Committee.

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Reducing the maximum period for returning standing payment orders and credits

In 2014, the Clearing House Committee discussed a proposal to amend Section D.1 of Chapter 217 of the Clearing House Rules, which concerns the return of standing payment orders. The proposed amendment determines that “A debit will be returned electronically no later than three banking business days after the debit date,” and an additional three days would be added to returns made for technical reasons – a total of six days. Furthermore, in order to create a uniform period for debits and credits, the Banks' Clearing House Committee decided that the maximum interval during which credits can be returned will correspond to the maximum interval during which debits can be returned.

The reduced interval for returning both debits and credits was approved by the Banks' Clearing House Committee. The amendment came into force on April 1, 2015.

Extension of the Prohibition on Terrorism Financing and Money Laundering Order

In view of the amendment to the Prohibition on Money Laundering (The Banking Corporations' Requirement regarding Identification, Reporting, and Record Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order, 5761-2001 (hereinafter, “the Order”), Masav records were required to include all the details contained in 103-type Swift messages, including the sender's address.

To implement this requirement, the Banks' Clearing House Committee decided to establish a subcommittee to examine the implications of the requirement and recommend the necessary modifications to Masav records. This team submitted its recommendations in 2015, and these were approved by the Banks' Clearing House Committee.

Pricing transactions using the Zahav system

The Zahav system was established by the Bank of Israel, which fully financed its set-up costs. According to the policy of the management of the Bank of Israel, which was defined when the system was set up, the selected pricing model includes recovery of direct current costs only. In 2014, a new model was developed for collecting fees

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from the system's participants, such that the fees would cover the current costs.² The model has been applied since July 1, 2015.

The new pricing model determines that the calculation applies to all Zahav system participants. The Check Clearing House and Masav are participants in the Zahav system, and therefore the implications of the transition to the new pricing model also apply to them. The Banks' Clearing House Committee decided that the cost charged to the Check Clearing House in respect of settlement through the Zahav system will be charged to all Clearing House participants equally, pro rata to each participant's use of each of the two sessions (manual and electronic).

Main modifications to the Banks' Clearing House Rules, Appendices and Standards:

Following are the modifications made to Clearing House Rules, Appendices, and Standards in 2015:

Modification	Updated rules	Date of modification
Section 3.2 –reference to Diamond Denominated Accounts added	Chapter 101 – Bylaws	
Section 13 – new section on the establishment of the subcommittees and their authority added	Sections 3.2, 13	March 1, 2015
New chapter that regulates inter-bank processes in clearing of Diamond Denominated Accounts	Chapter 219 – Clearing of Diamond Denominated Accounts	March 1, 2015
<u>Appendix 305</u> – reasons for returns, Section 5 – Reasons for returning foreign currency denominated checks, including checks cleared in Diamond Denominated Accounts (drawn only on Israeli banks).	Chapter 300 – Appendices to Clearing House Rules	March 1, 2015

² IMF recommendations submitted in April 2012 include reference to the pricing issue — “Review strategy on pricing and make costs transparent,” emphasizing the significance of charging participants’ fees that cover current costs and set-up costs, in line with the practices of other central banks worldwide.

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Modification	Updated rules	Date of modification
<p>Two reasons for return were added: (a) Drawee's available signature sample is in Hebrew (b) Drawee's available signature sample is not in Hebrew</p>	Appendix 305	
<p><u>Appendix 312</u> (New Appendix) – format of a letter of indemnification in respect of a lost US dollar-denominated draft – Diamond Denominated Accounts</p>	Appendix 312	
<p>Appendices 430-431 – for clearing of Diamond Denominated Accounts Form 432 – Authorized Signatories</p>	<p>Chapter 400 – Clearing House forms Form 430 Form 431 Form 432</p>	March 1, 2015
<p>Addition of uniform standard for Diamond Denominated Account checks, similar to the current standard, with the addition of the words “Diamond Denominated Account”</p>	Chapter 500 – Regulations and Specifications, Standard 501	March 1, 2015
<p>Change in the maximum interval for returning debits/credits: Section 4.1 – Debits can be returned no later than three banking days after the debit date. An additional three days are added to this interval in the case of returns for technical reasons (for a total of six days). Section 4.2 - Credits can be returned no later than three banking days after the credit date. An additional three days are</p>	<p>Chapter 217 – Clearing via the ACH Sections 4.1, 4.2</p>	April 1, 2015

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Modification	Updated rules	Date of modification
added to this interval in the case of returns for technical reasons (for a total of six days).		
From April 2015 onward, all Settlement Participants began daily transmissions of the number of drafts transferred to manual settlement. Consequently Chapter 209, on statistics, and Appendix 416, can be cancelled.	Cancellation of Chapter 209 and Appendix 416	May 1, 2015
The entire procedure of the Clarifiers' Panel was refreshed and refined to match actual procedures. References to clearing of Diamond Denominated Accounts were added.	Chapter 207 - Settling of Disputes between Clearing House Members Sections – 1.1, 1.2, 1.4, 1.5, 2.1, 2.3, 3.1, 4, 5, 6.3, 7, 8, 9.2, 9.4, 12, 14	June 9, 2015
Reference was added: For the purpose of data correction or data entry by the Bank of Israel, the requesting bank must present an application document signed by one authorized signatory, and in addition, a document itemizing the amounts and quantities transmitted using the format of a Clearing House form included in Chapter 400 of the Clearing House Rules (410/411/412/413, as applicable), signed by two authorized signatories. Also added was that the the said documents may be sent to the Bank of Israel by fax or email.	Chapter 204 – Management of Sessions and Settling of the Accounts in the RTGS System Sections 1.5-1.7, 2.5, 5, 6	July 1, 2015
Wording modified to the effect that electronic re-presentation by a bank is possible only to the same bank to which	Chapter 206, Section 3.1	September 24, 2015

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Modification	Updated rules	Date of modification
the draft was originally presented. Therefore the words “to the bank” shall replace the words “to the account”.		
Reasons for return of checks or deferral of return – Reason for return no. 25 was revised in line with the aforesaid change introduced in Chapter 206, Section 3.1.	Appendix 305 – Reasons for Return	September 24, 2015
Second presentation (re-presentation): A Clearing House member that does not agree to honor the second presentation shall not return the draft again, and will be permitted to apply for mediation at the Clarifiers Panel in accordance with the directives of Chapter 207 of the Clearing House Rules. Likewise, when the return is executed manually, the drawee bank is to notify the presenting bank in an accompanying letter that this is a second presentation.	Chapter 206 – new section added after Section 4	January 1, 2016
In accordance with FIBI’s announcement of the merger of U-Bank and PAGI, and in accordance with Bank Leumi’s announcement of its merger with Arab Israel Bank (AI), the names of the merged banks were removed from the Appendices and the forms.	Appendix 302 - List of Clearing House members and representations Appendix 307 – List of banks participating in foreign currency check settlement Form 412 – Presentation of Checks in Electronic Settlement Form 413 – Return of Checks in Electronic Settlement	Merger of U-Bank – October 1, 2015 Merger of AI and PAGI – January 1, 2016
Annual revision of bank branches whose weekly rest day is other than on Saturday.	Appendix 304	January 1, 2016

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Modification	Updated rules	Date of modification
Banks in the Palestinian territory: (1) In accordance with Discount Bank's announcement that it is discontinuing its representation of Bank for Saving and Investment Union (83); (2) In accordance with Bank Hapoalim's announcement that it is discontinuing its representation of HSBC Bank Middle East (74).	Appendix 302 - List of Clearing House members and representations	(1) August 31, 2015 (2) January 13, 2016

B. The Lawyers Committee

The Lawyers Committee is a permanent subcommittee, led by the Bank of Israel, whose members are the legal representatives and operations representatives of several banks. The committee discusses the legal aspects of the clearing houses' operations.

The Lawyers Committee convened once in the course of the year and discussed the following matters:

1. Indemnification letters for missing documents in settlement of electronically

settled magnetic drafts: The committee discussed the section of Clearing House Rules (Chapter 211—Electronic Clearing of Magnetic Receivables) concerning a mismatch of electronically settled magnetic drafts. In the event of a mismatch, a letter of indemnity will only be issued at the request of the drawee bank, and the very existence of a report of missing checks will constitute an obligation on the part of the payee bank to submit a letter of indemnity. After a discussion in the Clearing House Committee, it was decided not to make a change in the Clearing House Rules.

2. "Rolling" of checks: Cases exist where checks are returned in a manner that is not consistent with the Banks' Clearing House Rules, and they "roll" back and forth between the Banks' Clearing House members for an unlimited period. In a discussion in the Lawyers Committee, it was decided to recommend to the Clearing House Committee a change in the Clearing House Rules, such that a Clearing House member that does not agree to honor the second presentation, will no longer return the draft and will be permitted to apply for arbitration at the Clarifiers Panel in accordance with the directives of Chapter 207 of the Clearing house Rules. Likewise, when the return is executed manually, the drawee bank is to attach a letter to the payee bank, informing the payee bank that the presentation is a second presentation.

This recommendation was accepted by the Clearing House Committee, and the change in the Clearing House Rules will go into effect on January 1, 2016.

3. Indemnification letter – Appendix 306 to the Clearing House rules: A request to add to Appendix 306—Indemnification letter—was discussed, regarding the expiration date of the indemnification letter. Following a discussion of the matter, it was decided not to accept the proposal.

C. The Subcommittee for Clearing Diamond Denominated Accounts

The Subcommittee for Clearing Diamond Denominated Accounts is a permanent subcommittee of the Clearing House Committee. It was established by the Chairperson of the Clearing House Committee, in accordance with Section 13 of Chapter 101 of the Clearing House Rules. The Bank of Israel heads the Subcommittee, and its members are the representatives of the banks that are Settlement Participants in clearing Diamond Denominated Accounts. The Subcommittee's decisions are binding on the Clearing House Committee and are discussed at its meetings. The rules that are unique to clearing Diamond Denominated Accounts are arranged in Chapter 219 of the Rules, but there are additional sections in other chapters of the Rules, which also apply to clearing Diamond Denominated Accounts. In addition, representatives of banks that are Settlement Participants in clearing Diamond Denominated Accounts were appointed to the Clarifiers Panel, which will deal with cases that are discussed in this area.

**D. The Entity for the Resolution of Disputes between the Banks—
Clarifiers Panel**

The Entity for the Resolution of Disputes between Banks—the Clarifiers Panel—continues its operations in accordance with the guidelines in the Banks' Clearing House Rules. The entity's coordinator, his or her alternate and the list of clarifiers are presented in Appendix D. In 2015, significant changes were made to Chapter 207, which regulates the manner of activity of the Panel.

In 2015, seven cases were referred to the Clarifier's Panel. One was resolved by the applicants, one was closed as the bank that submitted it subsequently withdrew its application, three were resolved following a dispute resolution procedure, and two are still under discussion.

2. The Banks' Clearing House

The Banks' Clearing House is comprised of the Paper-based (Checks) Clearing House and the interbank Automated Clearing House (Masav), and is managed by the Clearing House Committee in accordance with an agreement between its members. The agreement regulates the operations of the Banks' Clearing House and the business and functional relations among the participants, and between the participants and the system operator (hereinafter, "the Clearing House Rules").

A. Banks' Clearing House Committee

The Banks' Clearing House Committee has 14 members, half of them Bank of Israel representatives and half of them representatives of the banking system. They are appointed by the Governor of the Bank of Israel or a person authorized by the Governor (a list of members and their alternates is presented in Appendix A). The Committee convenes at least once a quarter or as necessary, to discuss various issues, including modifications to the Banks' Clearing House Rules. These rules are published on the Bank of Israel website and are revised on an ongoing basis.³ The committee publishes a report on its operations once a year.

B. Paper-based (Checks) Clearing House

The drafts presented by the banks in the Paper-based (Checks) Clearing House are primarily checks, which are now only presented electronically. Magnetic payment vouchers and non-magnetic credits and debits (manual drafts) are also presented.

Paper-based Clearing House Members

The Paper-based Clearing House has 30 members⁴—the banking corporations in Israel, the Postal Bank and the Bank of Israel. Some of them operate in the clearing house directly, and the rest of them are represented by other participants. In the settlement of electronic drafts, eight banks have the status of direct participants and 22 the status of represented banks, 13 of which are banks in the territory of the Palestinian Authority. Twelve banks participate directly in the settlement of non-magnetic (manual) credits and debits, and 18 are represented there, 13 of which are banks in the territory of the Palestinian Authority. The banks operating in the

³ Clearing House Rules are available at <http://www.boi.org.il/en/PaymentSystem/ActiveClearingHousesInIsrael/Documents/Mislaka.pdf> on the Bank of Israel website.

⁴ As of January 1, 2016.

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Palestinian Authority are Clearing House members, and all of them are represented by one of the following three banking corporations in Israel (Bank Hapoalim, Discount Bank, and Mercantile Discount Bank). The Bank of Israel functions in two roles in the Paper-based Clearing House — as a member of the Clearing House and as its operator.

The Banks' Clearing House operates on every banking business day, as stipulated in the Banking (Service to Customer) (Check Debiting and Crediting Date) Directives, 5752-1992. In addition, on Fridays and on the days preceding public holidays (except for the days preceding Purim, Independence Day, and Tisha B'Av), the Banks' Clearing House operates in order to facilitate the processing of drafts at the conclusion of the Sabbath or a public holiday. A list of the business days is published on the Bank of Israel website and is revised annually.

Operating features of the Paper-based Clearing House

At the close of the business day, at 18:30, participants collect all the drafts (mostly checks) that customers deposited at the branches in the course of that day. Concurrently, members create (during or at the close of the day) electronic files containing information on the drafts that were deposited that day. At the end of the day, the files are sent by clearing house members to the other clearing house members, and a summary file presenting the total amount credited to each participant's account against the other participants' debits is sent to the Clearing House. The Clearing House conducts net clearing that generates a multilateral transaction of participants' credits and debits. This transaction is sent for settlement in the Zahav system in the morning of the following day (T+1) during the Paper-based Clearing House's settlement window, which opens at 09:30. Two settlement sessions are held at night, during which participants transfer the drafts from the payee banks to the drawee banks. Presentations and returns of manual drafts are made in the first session; presentations and returns of magnetic drafts and electronic presentations of payment vouchers are made in the second session.

Session times:

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	Weekdays	Following the conclusion of Sabbath and Public Holidays
First session (manual drafts)	22:30	22:30
Second session (electronic drafts)	01:00 (the following morning)	23:00

Clarifications:

- ✓ During the period when summer time is in force, the second session at the conclusion of the Sabbath or a public holiday takes place at midnight instead of 23:00.
- ✓ On the 15th of the month (or at the conclusion of a Sabbath or a public holiday falling on the 16th of the month), the second session is held at 02:00 (on the following morning).
- ✓ If the conclusion of the Sabbath or a public holiday falls on the 15th of the month, the second session on the 16th of the month will be postponed to 02:00 (on the following morning).
- ✓ When the intermediate days of Passover and Sukkot fall between Sunday and Thursday (except for holiday eves), the first session is held at 21:00 and the second session at 23:00.
- ✓ On the eve of Independence Day, the first session is held at 21:00 and the second session at 23:00.

Customers are credited/debited on value date T, while the banks are credited and debited on the consecutive business day (value date T+1). The Bank of Israel performs reconciliations of interest among the banks at the end of each calendar month. Banks may refuse to honor electronic and manual drafts presented to them based on the reasons stipulated in the Rules (i.e., insufficient funds, or an error in the particulars), and may return them on the business day following their deposit. In special cases returns can be delayed, as specified in the Banks' Clearing House Rules.

E. C. Masav (Automated Clearing House)

NIS-denominated interbank transactions such as standing orders, salary payments, and tax payments that are not paper based are settled at Masav. The transactions are sent to Masav from the banks, the Postal Bank, service offices, and organizations that are permitted to send payment orders directly.

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Two types of transactions are executed by Masav: **Direct credits**, which are instructions to debit the account of the initiator of the credit order and crediting beneficiaries. Credit orders are payments deriving from organizations, mainly salaries, payments to suppliers, tax payments and other payments; as well as payments from banking corporations, which reflect the activities of the banks' customers. **Direct debits** are instructions to debit the account being charged, and to credit the account of the initiator of the debit order (mainly standing payment orders).

Masav participants

Masav has 38,574 active institutions,⁵ including banks, the Postal Bank, government ministries and public institutions and organizations. The various entities send payment orders to Masav in the course of each business day in batch files.

Features of Masav operations

Organizations' debit and credit payment orders and interbank clearing are settled at the end of the transfer day at same day value (T). Reconciliations between banks in respect of the payment orders sent to Masav are transferred for settlement in the Zahav system on the business day following the transfer date (T+1). Masav has two settlement windows in the Zahav system: The first is at the start of the business day (at 10:00), designed for banking activity clearing, and the second is prior to the end of the day (at 18:00 on weekdays and at 13:30 on Fridays and the days preceding holidays), designed for organizations' clearing.

Payment orders are accepted at Masav throughout the entire working day. The orders are not final, because each beneficiary is entitled to return a credit within three business days⁶, and each drawee is entitled to return a debit within three business days.⁷ In the Zahav system, returned payment transactions receive the value of the day of their presentation.

On receipt of the files, Masav performs a pre-settlement (clearing) process — the mutual liabilities of the participant banks are calculated and the net file designated for final settlement in the Zahav system is generated. Before the final net amount is sent by Masav to the Zahav system, Masav sends the banks interim calculations that

⁵ As of December 31, 2015.

⁶ An additional three days will be added for executing returns due to technical reasons.

⁷ An additional three days will be added for executing returns due to technical reasons.

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Masav makes from time to time in the course of each business day. This information enables the banks to make preparations in advance for the liquidity required for settlement in the Zahav system.

Employer codes in Masav

As of December 31, 2015, 3,140 active employer codes were on file with Masav in the system for employers' deposits to provident funds and advanced training funds, compared with 2,866 active codes on December 31, 2014, an increase of 9.6 percent. These institutions transferred 25.9 million transactions in 2015, compared with 23.7 million transactions in 2014—an increase of 9.3 percent.

3. Statistical Data and Analysis of Trends

A. The Paper-based Clearing House

Apart from cash, paper-based means of payments include vouchers and checks, and payments that are executed by these two means—as well as returns in respect of them—are cleared by the Paper-based Clearing House. Checks are commonly accepted and used in Israel and account for over half of the payment orders cleared in the interbank payments systems.⁸

Table 1 indicates that in 2015, the number of Paper-based Clearing House transactions declined by about 2.2 percent, to 115,261 thousand transactions (compared with 117,824 thousand in 2014), while the value settled by the Paper-based Clearing House increased by about 4.8 percent from 2014, reaching NIS 985,933 million (compared with NIS 940,894 million in 2014). Since 2011, the number of checks has declined gradually, reflecting a total decline of 6.9 percent by end of 2015. In contrast, the total value of checks increased by about 10.6 percent from NIS 846 billion in 2011 to NIS 936 billion in 2015. Likewise, a marked increase can be seen in manual debits, both in number and value. This increase is a direct result of the increase in issuances of bonds and corporate securities.

Table 1 :Components of the paper-based clearing house, 2012 to 2015

	2012		2013		2014		2015		Change in 2015	
	Value (NIS m.)	Volume (th.)	Value (%)	Volume (%)						
Manual drafts^{1,2,3}	27,793	250	31,985	189	34,030	177	49,586	223	45.7	26.0
Debits	27,272	193	31,196	169	33,513	161	49,090	205	46.5	27.3
Credits	521	57	789	20	517	16	496	18	-4.1	12.5
Checks	860,245	121,899	902,142	120,366	906,864	117,647	936,346	115,036	3.3	-2.2
Presentations	814,208	118,143	850,519	116,699	854,322	114,129	874,646	111,610	2.4	-2.2
Returns	24,820	2,804	26,026	2,647	25,642	2,499	26,771	2,441	4.4	-2.3
Collection vouchers	21,217	952	25,597	1,020	26,900	1,019	34,929	985	29.8	-3.3
Total	888,038	122,149	934,127	120,555	940,893	117,824	985,932	115,259	4.8	-2.2

¹ Through April 1, 2015—The number of movements of manual drafts is an assessment based on reporting for one day in a month.

² Beginning April 1, 2015, all the banks began reporting daily quantity data and the assessment method was stopped.

³ Debits and credits include presentations and returns.

SOURCE: Paper-based clearing house.

⁸ Payment orders are settled in the Zahav (interbank) system, at Masav (credits) and at the Paper-based Clearing House.

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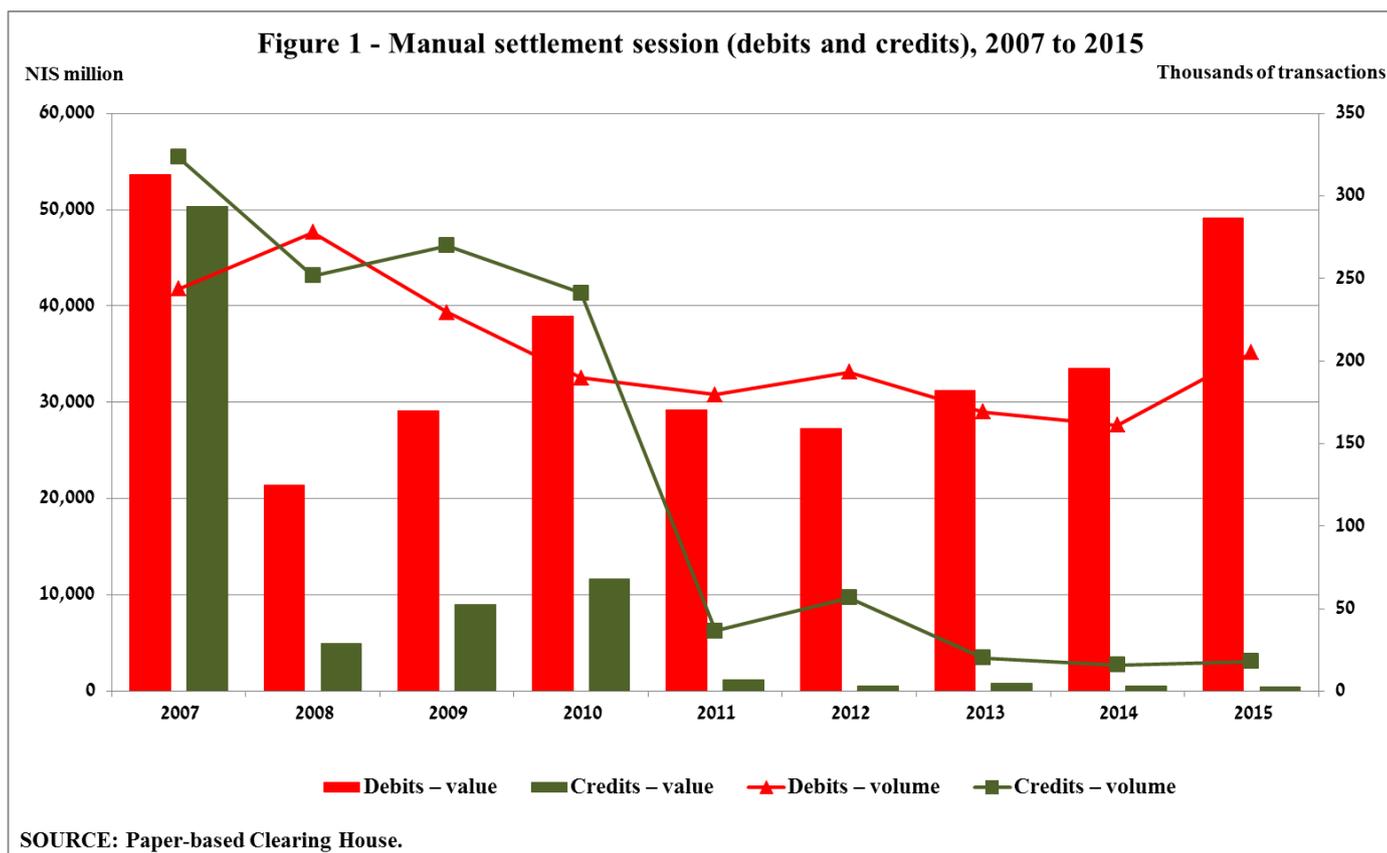
An uptrend has also been seen in recent years in the average amount per check, from approximately NIS 6,851 in 2011 to NIS 8,140 in 2015—a significant increase of 19 percent. The average value of check-based transactions indicates that checks are commonly accepted in Israel's business sector as a means of payment involving large amounts. Checks are used, *inter alia*, for business transactions and tax payments. Check returns, by value, accounted for approximately 3 percent of the total amount, unchanged from the previous year.

Table 2: Presentations and returns of checks and presentations of collection vouchers at the Paper-based Clearing House, 2015

	Check presentations		Check returns		Collection vouchers		Total electronic settlement		Percent of returns	
	Volume (in th.)	Value (in NIS m.)	Volume (in th.)	Value (in NIS m.)	Volume (in th.)	Value (in NIS m.)	Volume (in th.)	Value (in NIS m.)	Volume	Value
January	9,371	77,575	208	2,144	91	3,016	9,670	82,735	2.22	2.76
February	8,681	67,914	182	1,932	77	2,649	8,940	72,495	2.10	2.84
March	10,329	76,436	209	2,334	86	2,773	10,624	81,543	2.02	3.05
April	8,431	67,882	183	1,959	69	2,318	8,683	72,159	2.17	2.89
May	9,498	73,567	198	2,259	77	2,955	9,773	78,781	2.08	3.07
June	9,527	73,646	195	2,217	81	3,704	9,803	79,567	2.05	3.01
July	10,001	81,851	204	2,383	91	3,364	10,296	87,598	2.04	2.91
August	8,692	71,381	195	2,221	78	2,952	8,965	76,554	2.24	3.11
September	8,752	67,429	191	2,006	73	2,118	9,016	71,553	2.18	2.97
October	9,092	69,736	234	2,308	81	3,013	9,407	75,057	2.57	3.31
November	9,585	72,549	214	2,559	88	2,706	9,887	77,814	2.23	3.53
December	9,652	74,681	228	2,449	94	3,361	9,974	80,491	2.36	3.28
Total	111,611	874,647	2,441	26,771	986	34,929	115,038	936,347	2.19	3.06

SOURCE: Paper-based clearing house.

Similar to recent years, the Bank of Israel also took action in 2015 to improve the efficiency of Israel's payments system. As part of these efforts, the Bank of Israel strove to reduce manual settlement (manual credits and debits) in the Paper-based Clearing House. Since most of the total value of manual debits derives from the settlement of funds from the issuance of corporate securities, it became necessary to move this activity to electronic settlement, which will markedly reduce the total value of debits settled in the Paper-based Clearing House. Furthermore, in November 2010, settlement of payment vouchers was moved from manual settlement to electronic settlement, as part of the efforts to abolish manual settlement. Figure 1 indicates the considerable change that occurred in recent years in manual settlement activities in the Paper-based Clearing House.



Beneficiary codes for use in payment vouchers

An institution wishing to collect payment may issue a payment voucher, which can be paid at a bank, must first contact the bank where its account is administered, to receive a beneficiary code for the payment vouchers it issues. The bank applies on behalf of the customer to the secretary of the Banks' Clearing House Committee to allocate the required beneficiary codes. Following this allocation, the Bank of Israel reports to all the banks on the allocation of the beneficiary codes.

In 2015, the Bank of Israel issued, at the banks' request, 258 codes for magnetized payment vouchers, compared with 220 codes in 2014, of which 211 were codes for the private sector and 47 for local authorities.

B. Masav

Direct electronic payments (direct debits/credits) are payments that are carried out by automated means, without manual intervention. The two systems that perform electronic payments in Israel are Zahav and Masav. The Zahav system executes credits only (the initiator of an order can credit a counter party but not debit it), and Masav clears both credits and debits.

Direct credits: Direct credits are made via Zahav or Masav as stated, and are initiated by the debited customer who instructs the bank to charge his account and credit the

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beneficiary. If the customer's account contains a sufficient balance, the bank transfers the payment order to the clearing house, which settles the payment. If the payment is settled by the Zahav system, the credit is immediate, final and irrevocable. If the payment is settled by Masav, the payment is not final⁹, and the credited party can return the payment within 3 business days from the date of execution. The majority of direct credits (salaries and pension payments and other payments) are initiated electronically, which considerably reduces the processing costs for each payment order for the customer, the bank, and for clearing house.

The volume of direct credits and the value credited by Masav has grown steadily in recent years. Direct credits totaled approximately NIS 2,169 billion in 2015, compared with NIS 2,066 billion in 2014 (an annual increase of 4.95 percent).

Table 3: Masav activity, 2015

Period	Volume (in th.)	Value (NIS mil.)	Average value per transaction (NIS)
January	27,068	211,612	7,818
February	26,841	205,090	7,641
March	28,897	228,050	7,892
April	27,278	219,746	8,056
May	27,738	211,173	7,613
June	27,908	214,353	7,681
July	28,500	230,954	8,104
August	28,028	221,053	7,887
September	27,715	215,728	7,784
October	27,457	209,335	7,624
November	28,457	219,185	7,702
December	30,604	253,967	8,298
Total	336,491	2,640,246	7,846

SOURCE: Masav.

Direct debits: Direct debits in Israel are made only through Masav, and are initiated by the beneficiary through the bank that manages the beneficiary's account. The beneficiary's bank collects the funds from the bank that administers the account of the debited party, subject to the legal terms to which the debited party agreed. The primary type of direct debit in Israel is a standing payment order (payments to

⁹ There is finality with the clearing of the payment order that was transferred from Masav to Zahav.

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providers of services such as electricity, water and telephone): Payment is collected automatically every month, at the current value.

The volume and value of direct debits has grown in recent years. In 2015, direct debits totaled approximately NIS 465 billion, compared with approximately NIS 440 billion in 2014 (an annual increase of approximately 5.6 percent).

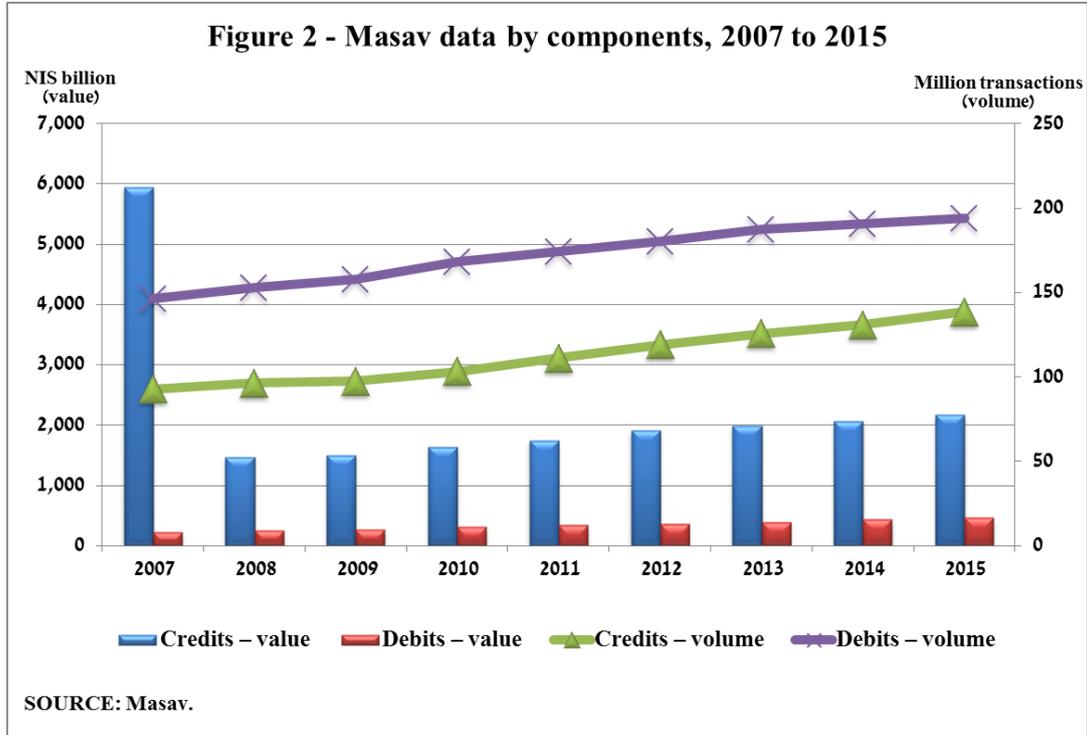


Table 4: Masav activities, 2015

	Credits				Debits			
	Credit presentations		Credit returns		Debit presentations		Debit returns	
	volume (in th.)	value (NIS m.)	volume (in th.)	value (NIS m.)	volume (in th.)	value (NIS m.)	volume (in th.)	value (NIS m.)
January	10,888	174,433	15	110	15,819	36,647	345	422
February	10,862	168,221	14	92	15,653	36,381	311	396
March	11,943	187,712	15	100	16,611	39,848	329	390
April	10,942	182,865	13	86	16,024	36,462	298	334
May	11,315	171,982	14	102	16,105	38,705	303	384
June	11,448	175,519	15	114	16,145	38,346	300	375
July	11,933	189,126	17	108	16,249	41,345	302	375
August	11,542	179,692	16	113	16,165	40,857	304	392
September	11,353	176,858	14	86	16,046	38,428	302	356
October	10,982	169,909	14	99	16,111	38,919	350	407
November	11,630	180,115	16	100	16,480	38,577	331	394
December	13,719	212,662	20	145	16,541	40,761	325	399
Total 2015	138,557	2,169,094	183	1,255	193,949	465,276	3,800	4,624
Total 2014	130,976	2,066,726	161	1,070	190,645	440,484	4,220	4,711
Year over Year change in 2015 (percent)	5.79	4.95	13.66	17.29	1.73	5.63	-9.95	-1.85

SOURCE: Masav.

APPENDICES

Appendix A: Members of the Banks' Clearing House Committee and their alternates who were appointed for five years from January 1, 2013 to December 31, 2017¹⁰

	Member	Alternate
<u>Bank of Israel representatives</u>		
Chairperson	Ronit Chitayate	Anat Shabat
	Regina Sabov	Helene Balouka
	Sasha Saposhnik	Ariel Sanua
	Tal Harel Matatyahu	Shaul Pearl
	Elad Yaakobi	Teddy Duchovny ¹¹
	Margalit Rokach	Yael Rashti
	Amitai Lapidot	Yafa Moshe
<u>Representatives of the banks</u>		
Israel Discount Bank Ltd.	Moshe Sinman	Yitzhak Contanta
Israel Postal Bank	Genya Habaz	Yitzhak Florentin
Bank Hapoalim B.M.	Zeev Hugi	Dror Kriegel
The First International Bank of Israel Ltd.	Dalia Lavon	Motti Shaul
Bank Leumi Le-Israel Ltd. ¹²	Eitan Dan	Yehoshua Levi
Mizrahi-Tefahot Bank Ltd.	Meir Nissim	Moshe Romi
Citibank Israel	Inbal Tatro	Assi Levy
Banks' Clearing House Secretary— Bank of Israel representative	Ori Altalat	

¹⁰ Representatives' terms were extended to five years.

¹¹ As of July 7, 2015, the alternate for Elad Yaakobi, a Committee member on behalf of the Bank of Israel, is Teddy Duchovny.

¹² As of January 1, 2015, the member of the Committee on behalf of Bank Leumi has been Eitan Dan, and his alternate, Yehoshua Levi.

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Appendix B: Members of the Banks' Clearing House and the network of representations¹

Bank Code	Name of Bank	The representing bank in:		
		Settlement of non-magnetic drafts	Settlement of electronic drafts	Settlement via Masav
4	Bank Yahav for Government Employees Ltd.	Hapoalim	Hapoalim	Hapoalim
9	Israel Postal Bank	+	+	+
10	Bank Leumi ¹³ Le-Israel Ltd.	+	+	+
11	Israel Discount Bank Ltd.	+	+	+
12	Bank Hapoalim B.M.	+	+	+
13	Union Bank of Israel Ltd.	Leumi	Leumi	Leumi
14	Bank Otsar Hahayal Ltd.	First Int'l.	First Int'l.	First Int'l.
17	Mercantile Discount Bank Ltd.	+	Discount	Discount
20	Mizrahi-Tefahot Bank Ltd.	+	+	+
22	Citibank N.A.	+	+	+
23	HSBC Bank plc	+	Leumi	+
31	The First International Bank of Israel Ltd. ¹⁴	+	+	+
39	State Bank of India	+	Leumi	+
46	Bank Massad Ltd.	First Int'l.	First Int'l.	First Int'l.
54	Bank of Jerusalem Ltd.	Leumi	Leumi	+
68	Dexia Israel Bank Ltd.	+	Discount	+
99	Bank of Israel	+	+	+

¹ The + sign means that the bank represents itself.

¹³ On January 1, 2015, Bank Leumi merged Arab Israel Bank into it.

¹⁴ On October 1, 2015, First International Bank merged Ubank into it; on January 1, 2016, First International Bank merged PAGI Bank into it.

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Appendix B (continued)

Banks in the area of the Palestinian Authority that are members of the Banks' Clearing House and the network of representations^{15,16}

Bank Code	Name of Bank	The representing bank in the	
		Settlement of electronic drafts	settlement via Masav
37	Bank of Jordan	Hapoalim	Hapoalim
38	Palestine Commercial Bank	Hapoalim	Hapoalim
43	Jordan Ahli Bank	Discount	Discount
49	Arab Bank plc	Discount	Discount
66	Cairo-Amman Bank	Discount	Discount
67	Egyptian Arab Land Bank	Hapoalim	Hapoalim
71	Jordan Commercial Bank	Hapoalim	Hapoalim
73	Arab Islamic Bank	Hapoalim	Hapoalim
76	Palestine Investment Bank	Hapoalim	Hapoalim
82	Al-Quds Bank	Discount	Discount
84	The Housing Bank	Discount	Discount
89	Bank of Palestine	Hapoalim	Hapoalim
93	Jordan Kuwait Bank	Discount	Discount

¹⁵ On August 31, 2015, Discount Bank ended its representation of Bank for Saving and Investment Union (83).

¹⁶ On January 13, 2016, Bank Hapoalim ended its representation of HSBC Bank Middle East.

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Appendix C: Clarifiers for resolving disputes between Banks' Clearing House members

Name of the institution	Name of clarifier		
Coordinator of the clarifiers panel - Association of Banks	Tal	Nadav	Adv.
	alternate coordinator - Association of Banks	Livnat	Kupershtein Dash Adv.
Union Bank of Israel Ltd.	Eran ¹	Gefen	Adv.
	Yehuda	Eliyahu	
	Asaf	Yodovich	
	Boaz ²	Levi	
Israel Discount Bank Ltd.	Keren	ShluShtain	Adv.
	Yaron	Bentov	Adv.
	Itzhak	Kontanta	
	Meir	Lindzen	
	Zohar ²	Masholi	
	Sagit ²	Yona	
Israel Postal Bank	Yitzhak	Florentin	
	Boaz	Rozinsky	Adv.
Mizrahi-Tefahot Bank Ltd. ¹	Shlomo	Katz	Adv.
	Anat	Shpigelman	
	Meir	Nissim	
	Moshe	Romi	
Bank Hapoalim B.M.	Shlomit	Eliasaf-Dayan	Adv.
	Zeev	Hugi	
	Gideon	Dor	Adv.
	Dror	Kriegel	
Bank Leumi Le-Israel Ltd.	Yehoshua	Levi	
	Asher	Sarussi	
	Noa	Weyl	Adv.
	Nir	Poreh	Adv.
	Ronny	Berholz	Adv.
Mercantile Discount Bank Ltd.	Alex	Grinshpan	Adv.
	Ilana	Hadar	Adv.
The First International Bank of Israel Ltd.	Dalia	Lavon	
	Orna	Gav-Ziverski	Adv.
	Mordechai	Shaul	

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State Bank of India (SBI) ²	Gila	Tzruya
	Diana	Glanz
External clarifiers	David	Segev
	Shmuel	Alon

¹ For Diamond Denominated Account issues as well.

² For Diamond Denominated Account issues.

Appendix D: Major events in the past decade

Month and year	Event
January 2016	Publication of the Electronic Check Clearing Law, 5776-2016.
January 2016	On January 1, 2016, Bank Leumi merged into itself the Arab Israel Bank. On the same date, First International Bank merged into itself the PAGI Bank.
October 2015	On October 1, 2015, First International Bank merged into itself the UBank.
July 2015	The first reading of the draft Electronic Check Clearing Law was passed by the Knesset (Parliament).
April 2015	The maximum period for returning debits by authorization and for returning credits was shortened—return of a credit/debit will be able to be executed not more than 3 banking business days after the date of presentation. An additional 3 days will be added on to this permitted period for returns due to technical reasons, for a total of 6 days.
March 2015	Diamond Denominated Accounts Rules integrated into the Clearing House Rules.
January 2015	An Electronic Check Clearing Bill was published.
October 2014	The recommendations of the Committee to Examine Reducing the Use of Cash in the Israeli Economy were approved by the government.
July–August 2014	Due to Operation Protective Edge, many bank branches in the south and center of the country were closed. As such, requests were submitted for extended deferral of returns of vouchers, which were approved by the Chairperson of the Clearing House Committee in order to avoid a negative impact on bank customers.
December 2013	Cessation of the maintenance of the Access checks settlement system. In November 2012, the Bank of Israel integrated a new system for operating the Paper-based (Checks) Clearing House. The new system is similar in a business

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Month and year	Event
	sense to the previous system, and changes were added to reduce the extent of manual tasks and to replace them with automated work, in order to improve the work processes and tighten controls. Participants were required to prepare accordingly and to develop an alternative independent system, or to independently maintain the old system, until December 2013.
July 2013	Declaration of Masav and Automatic Banking Services (<i>Shva</i>) as designated controlled systems in accordance with the Payment Systems Law, 5768-2008. The Bank of Israel examines the stability, safety and efficiency of the systems in accordance with international standards set by IOSCO—International Organization of Securities Commissions.
November 2012	Due to Operation Pillar of Defense, and the declaration of a special situation on the front lines within a 40 kilometer range of the Gaza Strip, many bank branches were closed in the south of the country. As such, many requests were submitted for extended deferral of returns of vouchers, which were approved by the Chairperson of the Clearing House Committee in order to avoid a negative impact on bank customers.
November 2012	Installation of a new system for operation of the clearing houses at the Bank of Israel. In November 2012 the Bank of Israel integrated an advanced system based on innovative technology. The system enables the Bank of Israel to more effectively manage clearing house sessions.
July 2012	Cessation of the activity of the BNP Paribas bank at the Banks' Clearing House in Israel. BNP ceased to operate in Israel, including in this respect its participation in the Banks' Clearing House, on July 20, 2012.
August 2011	Transfer of operation of the Banks' Clearing House from the Bank of Israel in Tel Aviv to the Bank of Israel in Jerusalem. As the result of several processes—including the

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Month and year	Event
	development of a new settlement system, the decision to abolish the session for the presentation and return of non-magnetic (manual) drafts, and the personnel changes made among the settlement controllers in Tel Aviv—the operation of the paper-based clearing house's computer systems was transferred to the Bank of Israel in Jerusalem. The meeting place of the banks' representatives in the first and second sessions remained unchanged, at the Shalom Tower in Tel Aviv. As a result of the change, the relevant regulations in the Banks' Clearing House rules were revised in 2012.
2010	Replacement of the bank representing Bank Massad and Bank Otsar Hahayal, from Bank Hapoalim to First International Bank. After First International Bank acquired Bank Massad and Bank Otsar Hahayal, their representation passed to it. The change in Bank Massad's representation went into effect on February 5, 2010, and the change in Bank Otsar Hahayal's representation, on May 28, 2010.
November 2010	Initial electronic settlement of collection vouchers. In line with the effort to abolish manual settlement, in 2010 a subcommittee for moving the settlement of collection vouchers from manual to electronic settlement has established. It should be noted that electronic settlement does not apply to government vouchers. The proceeds of these vouchers are transferred to the Bank of Israel or to the Postal Bank, and the charging bank sends the vouchers themselves directly to the government ministries (and not via the bank through which the proceeds are transferred to the government). Optical vouchers transferred between the banks were not to be settled electronically either. A solution for vouchers of this type will be devised as part of an overall solution for the issue of manual settlement.
September 2010	Abolition of accounting at the paper-based clearing house

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Month and year	Event
	between the representing banks and the represented banks at the clearing house. Accounting settlement between the representing banks and the represented banks in the manual settlement session had until then been carried out at 09:30, at the first settlement window in the Zahav system. The Banks' Clearing House Committee decided to move this accounting settlement to direct settlement in the Zahav system, in order to minimize risks and to increase the efficiency of the process. By September 5, 2010, all the representing banks except for Bank Leumi had moved to the accounting management by means of direct crediting. Bank Leumi completed the process in May 2011.
August 2010	Translation of the Banks' Clearing House rules to English and publication of the translation on the Bank of Israel web site.
July 2010	Restriction on the amount of a transfer at Masav to NIS 1 million. In excess of this amount, the transfer will be made in the Zahav system only (except in special cases as determined by the Bank of Israel).
March 2010	Cessation of the representation of the Islamic Palestine Bank (Bank No. 81) at the Banks' Clearing House.
December 2009	Computerized return of credits received via Masav, by means of a returns and credits system. In the past, returns of erroneous credits obtained from banks via Masav were carried out manually, or by the bank receiving the erroneous credit crediting in respect of it at Masav. This method requires manual operation for the purpose of connecting between the credit operation and its return.
July 2009	Following the revision of the Banks' Clearing House regulations and their publication under the name "Banks' Clearing House rules" on the Bank of Israel web site in September 2008, the appendices, standards and specifications of the Banks' Clearing House rules were revised as well, and were published on the Bank of Israel web site.

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Month and year	Event
July 2009	Commencement of computerized reporting from the Bank of Israel to the banks on the beneficiary codes in use. During 2009 the Bank of Israel began to report to the banks by computerized means on the allocation of collection vouchers' beneficiary codes (except for contractors' codes). In the event that a bank wishes to receive a report on beneficiary codes that were allocated in the past, it has to contact the Secretary of the Banks' Clearing House Committee. Institutions' requests to move to optical collection vouchers were opposed by the banks' representatives on the Banks' Clearing House Committee. It was agreed that if a bank wishes to move to optical collection vouchers, vouchers of this type will be charged at that bank alone, and will not be sent as drafts between the banks.
January 2009	Cessation of the representation of the branches of the banks operating in the Gaza Strip. With the approval of the Acting Chairman of the Banks' Clearing House Committee, Bank Hapoalim ceased to represent the branches of the banks operating in the Gaza Strip on January 1, 2009, and Discount Bank stopped representing them on January 10, 2009.
September 2008	Revision of Banks' Clearing House regulations and their publication as "Banks' Clearing House Rules" on the Bank of Israel web site. The Banks' Clearing House Rules were published in September 2008, revising the Banks' Clearing House regulations that in the past had governed the settlement of manual drafts and checks and automated settlement at Masav. The revision included mainly bringing the regulations in line with the decisions that were made at the Banks' Clearing House Committee in the past and which had yet to be included in the regulations. In addition, changes were made which derived from the operation of the Zahav system (the system began to operate at the end of July 2007, as noted). Apart from that, the formulation of the regulations was adapted to the means

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Month and year	Event
	currently used by the banks: Since all checks are settled electronically, all the clauses relating to magnetic (non-electronic) settlement were abolished.
June 2008	The notifications issued in accordance with the Banks' Clearing House rules are sent to the banks' clearing houses by email only, and not on paper. The notifications are sent to designated email addresses at the banks' clearing houses. Each bank specified the addresses to which notifications received from other banks are to be sent.
May 2008	Commencement of operation of the method involved in allocating ranges of beneficiary codes for contractors' projects, following the regulation of payment to construction finance accounts only. Construction financing for contractors was regulated in Proper Conduct of Banking Business directives. The directives stipulate that payments will be made to these accounts only, by means of collection vouchers. For this purpose, the Bank of Israel allocated to each bank a range of beneficiary codes for contractors' projects, and a circular on the matter was distributed to all the banks. It was decided that the collection voucher for contractors will be uniform at all the banks.
October 2007	The amount transferrable at Masav was restricted to NIS 3 million. Transfers in excess of this amount can only be made in the Zahav system (except in exceptional cases as determined by the Bank of Israel).
July 2007	The banks start to image checks and send the files between them.
July 2007	Launch of the Zahav system in Israel.
July 2007	Postponement of accounting in respect of interbank settlement to the next business day, without changing the value date; that is, customers will be credited/debited on value date T, and the banks, on value date T+1.

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Month and year	Event
July 2007	Abolition of the recording of transactions at a retroactive value in order for the banks' balances to be final. This change was made in order to fulfill one of the fundamental terms for the operation of the Zahav system—management of the banks' balances in real time.
July 2007	Merger of settlement sessions for presentations and returns of credits and of settlement sessions for presentations and returns of debits. Since manual drafts are notable for their low volume and low value, a decision was taken to amalgamate the settlement of their presentations with the settlement of returns.
February 2006	Extension of the business day until 18:30, and change in settlement times accordingly.