



Bank of Israel

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

2016



Bank of Israel

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The 2016 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.

2. Preface

The year 2016 will be remembered as the year in which a reform of the Paper-based Clearing House was initiated, designed to transform the Paper-based Clearing House into an innovative, electronic, rapid, and more efficient clearing house. The reform spanned activities from the legislation of the Electronic Check Clearing Law 5776-2016 to the implementation of the interim phase of the Law and its application to interbank cellular settlement of Checks in Israel. The Law's implementation supports the check clearing process in Israel and brings it up to the most advanced standard in the world, through significant technological and business-related changes that entail revisions to check clearing procedures and to the procedures for check retention and retrieval.

This year we had the opportunity to play a role in implementing the first stage of assimilation of the new electronic clearing system, which was facilitated by the collaboration, professionalism, and extensive investment of efforts by all clearing house participants, especially members of the Banks' Clearing House Committee — representatives of the Bank of Israel, the banking system, and the Postal Bank.

Throughout the year, we also worked intensely to eliminate the manual clearing session and shift all manually cleared transactions to electronic clearing. The first and significant stage of this project was also implemented, in which settlement of corporate securities issuances moved from a manual to an electronic process through the Zahav system.

We face significant challenges this year, especially meeting the timetable for implementing the Electronic Clearing Law, in addition to the diverse topics that the Banks' Clearing House handles routinely. I am confident that we can meet these challenges and continue to promote the important changes that we are making together.

With thanks and appreciation,

Ronit Chitayate

Banks' Clearing House Committee Chairperson

1. Main Developments in 2016

A. The Banks' Clearing House Committee

The Banks' Clearing House Committee convened 12 times in 2016 and discussed various issues. Following are the main resolutions:

Implementation of the Electronic Check Clearing Law, 5776-2016¹

The Electronic Check Clearing Law, 5776-2016, was published in *Reshumot* (the official Gazette) on February 10, 2016. The rules of retention and rules of scanning established by Bank of Israel Governor Dr. Karnit Flug, were also published in *Reshumot* in 2016, as required by the Law.² The application of the Law begins six months after its publication date. On that date begins the period of 18 months during which both physical and electronic clearing is permitted. After this period, on February 10, 2018, clearing of checks may be performed only electronically.

The Law facilitates the transition from physical presentment to electronic presentment of checks, by discontinuing the further processing of a check beyond the charging bank at which it is deposited and by transmitting files of the check's image to the bank at which it is presented for settlement, instead of transmitting the physical checks themselves.

In the existing check clearing process, a customer is required to physically deposit the check at a bank branch, and the check is sent from the charging bank at which it is deposited (hereinafter, "the payee bank") to the bank at which it is presented for settlement (hereinafter, "the drawee bank"). If the check is not honored, the check is returned from the drawee bank to the drawn bank, and from it to the customer, and can be collected by re-presenting the check to the bank, to the court execution system, or in court.

The Electronic Clearing Law will enhance efficiencies and reduce the duration of this cumbersome procedure: From the moment the check is deposited at the presenting bank (whether physically or as an image file via cellular application) the check that was presented is no longer relevant to the clearing process, or, when necessary, for

¹ The following is a link to the Knesset website, where the final version of the law is available: <http://main.knesset.gov.il/Activity/Legislation/Laws/Pages/LawSecondary.aspx?lawitemid=566784>

² The following is a link to the Bank of Israel website, where the retention rules and scanning rules are available: <http://www.boi.org.il/he/PaymentSystem/Pages/Cheque-truncation.aspx>

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collection through the Enforcement and Collection Authority. From this point onward, an image of the check is used in all stages of the clearing process.

The Law is implemented in two main stages. From the first stage, which comes into effect on November 8, 2016, most banks³ permit interbank clearing of checks deposited using a mobile device (until now, checks could be deposited on a mobile device only if the charging bank and the presenting bank were the same bank). Deposit of a check by mobile device can be made only if: the check is restricted “to beneficiary only” and up to the sum of NIS 10,000 per check . This process **enhances the efficiency of the check clearing process** among the clearing house members, allows customers to **deposit checks without physically visiting a bank branch, and consequently increases the use of advanced electronic services** through available banking applications (apps). Depositing checks on mobile devices also **saves customers up to 75% in deposit fees** (the difference between the cost of depositing a check using an online channel and the cost of depositing a check through a bank clerk).

The second stage of implementation of the Law will be carried out in the third quarter of 2017, when physical presentation of checks will be abolished. As a result, checks deposited using all the means of deposit available to customers will be presented to banks using their images. In this second stage, electronic clearing will be integrated in all banks including the Postal Bank.

In 2016, the following three subcommittees continued their work on the first stage of implementation and preparations for the second stage: the Subcommittee for the Establishment of a Communications Network between Settlement Participants, which will be used for the transfer of check images; the Subcommittee for the Definition of Principles for Image-Based Work Processes (the Application Subcommittee); and the Subcommittee on Changing the Clearing House Rules.

The Subcommittee for the Establishment of a Communications Network – Most of the banks began to use the communications network to transmit images of checks deposited on a mobile device. In 2017, the subcommittee will continue its work to

³ Bank Leumi, Bank Hapoalim, Discount Bank, Mercantile Discount Bank, Mizrahi-Tefahot Bank, First International Bank, Otsar Hahayal Bank, Masad Bank, and Union Bank.

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ensure that the remaining Settlement Participants begin to use the communications network.

The Subcommittee for the Definition of Principles for Image-Based Work Processes (the Application Subcommittee) – will continue its work in 2017 until the full implementation of the Law.

The Subcommittee on Changing the Clearing House Rules – In 2016, the subcommittee completed its work on revising and adapting the Clearing House Rules to the situation in the first stage of implementation of the Law. The subcommittee will continue its work in 2017 and introduce into the Clearing House Rules those changes that are required for second stage of implementation.

As a complementary step, and in view of implementation of the Law, a request by the Enforcement and Collection Authority to streamline the file opening procedure was made. The Banks' Clearing House Committee approved the Authority's request and decided to establish an interface that connects the Enforcement and Collection Authority to the banks. The Enforcement and Collection Authority also requested that the connection to the banks be performed through a single entity and not to each bank separately. Such an interface will enhance the efficiency and significantly improve the Authority's work by allowing it to immediately verify each dishonored check using the printout of digitized check, and will prevent the erroneous or improper initiation of court execution files.

Abolition of manual settlement

In the first clearing house session, banks transmit presentations and returns of nonmagnetic (manual) drafts, such as manual debits and credits and returns of manual debits and credits. Since manual settlement is inefficient and entails risks, a subcommittee was established to examine the possible abolition of the manual settlement session and the transition to electronic settlement or to more advanced and secure payment systems.

Most debits in the manual settlement session stem from the settlement of corporate bond and stock issuance proceeds. In 2016, a solution was approved to shift the settlement of corporate securities issuance funds, currently settled manually, to electronic settlement through the Zahav system. The new process requires that the entities participating in the issuance transfer the funds through the Zahav system to

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the issue coordinator by the date defined by the issue coordinator. This process reduces risks and enables final settlement of the funds before the securities are deposited in the TASE. This procedure has been adopted in two phases: The first phase occurred between September 20, 2016 and December 31, 2016 (hereinafter, “the interim stage”). In the interim stage, settlement was possible using both the old procedure and the new procedure. **The second stage, in which settlements can be made only through the Zahav system, commenced on January 1, 2017.** The substantial change in settlements of corporate securities is already evident in the data for January 2017: The sum of manual debits for the month of January 2017 was NIS 252 million, compared to NIS 5 billion in January 2016 — a significant 95% drop.

The subcommittee for promoting the abolition of manual settlement continued its operations in 2016. The subcommittee reviewed the types of manually settled operations, other than corporate securities issuances, and examined methods to shift these to electronic settlement. The subcommittee’s solution was to shift manual settlement to electronic settlement on Masav. **Abolishing the manual settlement session was scheduled for the end of May 2017.** These are the types of operations that will be moved to electronic settlement on Masav: Dishonored checks - A bank that wishes to manually return a check and not do so through electronic settlement, may do so only if there is a automation-related issue that prevents electronic return, and provided that the return is performed within the dates defined in the Clearing House Rules and Bank Directives; Requests for a letter of indemnification in the event of a missing document; Settlement of optic vouchers; and promissory notes and enquiries.

Extension of the Prohibition on Terrorism Financing and Money Laundering Order

According to the amendment to the Prohibition on Money Laundering (The Banking Corporations’ Requirements 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 type 103 Swift messages, including the sender’s address. To implement this requirement, the Banks’ Clearing House Committee decided to establish a team to examine the potential implications of the requirement and recommend the necessary modifications to Masav records. This team submitted its

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recommendations, and these were approved by the Banks' Clearing House Committee.

Following implementation of the first stages, which were carried out in 2015, the final stage was implemented in June 2016, which entailed a revision to the structure of Masav files that contain transfers from the Palestinian Authority, such that Masav credit records will also include the transferor's address. The remaining information will be transmitted to the credited bank on a corresponding draft in the MT199 structure no later than the morning after the order is transmitted to Masav.

As part of the extension of the Anti-Money Laundering and Terror Financing Order and its application to Masav transfers, a decision was made to recommend that records from overseas be transmitted through the Zahav system. This recommendation was approved by the Zahav Committee and the Banks' Clearing House Committee. It was agreed that the procedure would be implemented in June 2016.

Examining the reasons for return of checks

The Banks' Clearing House Committee decided to re-examine the reasons for return of checks, which are listed in Appendix 305 of the Clearing House Rules, 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 create a uniform list of reasons for returning checks for the entire banking system. For this purpose, a clarification was added to each reason for return, describing the circumstances for which that reason is to be noted; and also, with respect to each reason, it was determined whether the dishonored check, when returned, should be counted with the dishonored checks according to the Checks Without Cover Law 5741-1981. The clarifications and the details of a check of sufficient funds 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 will be published in the Clearing House Rules, which are posted on the Bank of Israel website and are available to the public.

In 2016, the work team presented its final report, which was approved by the Banks' Clearing House Committee. It was decided that the changes in the reasons would enter into effect together with the full implementation of the Electronic Clearing Law, which is scheduled in the third quarter of 2017.

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Bank Yahav – The Bank’s detachment from Hapoalim Bank’s systems and transition to its independent computer system

In 2016, when Bank Yahav’s computing systems disconnected from Hapoalim Bank’s computing systems, on which it had relied in recent years, and Bank Yahav transitioned to a new, independent computer system, Bank Yahav joined the Banks’ Clearing House Committee as an observer. The transition to the new system was successful, and it affords Yahav Bank independence in the settlement system — independence in settling non-magnetic drafts, electronic drafts (checks and payment vouchers), and settlements through Masav.

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

Following are the modifications made to Clearing House Rules, Appendices, and Standards in 2016:

Modification	Updated Rules	Date of modification
Cancellation of the possibility of carrying out a return of up to 60 days. This cancellation derives from the legal ruling that the Clearing House Rules do not allow a return beyond what is written in the Banking Directives.	Chapter 214, Section 1.2	May 5, 2016
Addition of fields in the Masav credit record (transfers from the Palestinian Authority), so that the transferor’s address will be added in two fields of 35 characters each.	Specification 504—presentation of credits to other banks via Masav	June 19, 2016
Including the rules for handling foreign-currency bank checks in the Clearing House Rules—an addition to what is written in the definitions so that it will note that a check can be a banker’s check or a check of a customer of the bank.	Chapter 218—In the definitions section, under the definition of check.	March 17, 2016
Change in the membership structure of the Banks’ Clearing House Committee so that the rules will not note the number of members of each organization, and the Committee Chairperson will have a veto right over decisions that are in dispute.	Chapter 101, Sections 4.1 and 4.2	September 15, 2016
This change in the Rules is the first stage of the process of truncating collection vouchers. The change enables banks to approach their customers and offer them	Chapter 215, Sections 1–3	September 15, 2016

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Modification	Updated Rules	Date of modification
the service of sending an image file of the voucher instead of the physical voucher.		
Banks in the Palestinian territory: In accordance with Bank Hapoalim's notice regarding its ceasing to represent Palestine Commercial Bank (38).	Appendix 302—List of Clearing House members and network of representations.	September 16, 2016
Update the wording of the Section so that it makes very clear that the bank that sends the letter regarding manual second presentation is the presenting bank.	Chapter 206, Section 5.2	November 8, 2016
Annual update of the bank branches whose sabbatical day is not Saturday.	Appendix 304	November 8, 2016
Update of the Clearing House Rules, Appendices, Specifications and Standards such that they allow an interim period, as made possible by the Electronic Check Clearing Law: Both the interbank presentation of a check image (for checks deposited via cellular) and presentation of a physical check (for checks deposited through other means of deposit) will be permitted.	Chapters 200–500	November 8, 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 matter:

Endorsement using a corporate stamp alone without an accompanying signature: The section in the Clearing House Rules (Chapter 214 - Endorsement of Checks) concerning checks made out in favor of a limited corporation, which is endorsed on the back of the check only by a company stamp without any signature, was discussed. Section 1 of Chapter 214 of the Clearing House Rules states that in the event that a check has only one endorsement, the presenting (and credited) bank is responsible to the drawee (charging) bank for the check being deposited by the presenting bank into an account that is administered under the name that appears on the check. This instruction also applies in the event that the check is endorsed by a stamp that appears to belong to a company, without it being accompanied by any signature. This issue was re-examined by the Lawyers Committee, which, after the discussion, decided not to modify the Clearing House Rules on this issue.

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 in 2015 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 defined in Chapter 219 of the Clearing House Rules, but there are additional sections in other chapters of the Clearing House Rules that 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 deals with cases that are discussed in this area.

In 2016, the Subcommittee convened three times and discussed the following matters:

- 1. Uniform text on Diamond Denominated Account checks** – According to the Clearing House Rules, member banks that are Settlement Participants in clearing Diamond Denominated Accounts shall use this clearing house exclusively to settle checks drawn on Diamond Denominated Accounts. The requirement to write on the check that it is a “Diamond Denominated Check” according to the definition in Standard 501 of the Clearing House Rules, came into effect on October 1, 2016. Within the implementation of this rule, it was decided that a check presented for Diamond Denominated clearing that does not meet the requirements of the uniform standard because it lacks the text “Diamond Denominated Account,” will be returned for the reason no. 39 - “Other.”
- 2. The Subcommittee discussed additional operations-related matters in 2016,** including business continuity and the implementations of the Electronic Clearing Law on clearing Diamond Denominated Accounts.

D. The Masav Subcommittee

The Masav Subcommittee is a permanent subcommittee of the Banks' Clearing House Committee and was established in 2016 by the Chairperson of the Banks' Clearing House Committee, in accordance with Section 13 of Chapter 101 of the Clearing House Rules. The Subcommittee is headed by a representative of Masav, and its members are representatives of Masav, the Bank of Israel, and the banks participating in Masav. The Subcommittee is subordinate to the Banks' Clearing House Committee and deals in issues related to Masav. The Subcommittee's recommendations are subject to approval by the Banks' Clearing House Committee. This year, the Subcommittee convened three times and raised the following matters before the members of the Banks' Clearing House Committee:

- 1. Reducing the interval in which a coverage confirmation may be sent from the banks to Masav on short business days:**⁴ On short business days, the banks must send Masav their coverage confirmations by 12:50. Since Masav is required to send the clearing file for settlement in the Zahav system to the Bank of Israel by 13:15, a decision was made to advance the final time for sending coverage confirmations on short business days to 12:15.⁵ **This change was approved by the Banks' Clearing House Committee and applies from March 1, 2016.**
- 2. Additional matters are discussed by the Masav Subcommittee.** The Banks' Clearing House Committee will adopt final decisions on these matters in the course of 2017.

E. 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 2016, seven cases were referred to the Panel. Two applications were dismissed in view of an agreement between the parties; two applications were resolved after a dispute resolution process; Three applications are pending a decision.

⁴ The decision was made by the Banks' Clearing House Committee prior to the establishment of the Masav Subcommittee.

⁵ This solution was also discussed and approved by the Zahav Committee.

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 Governor of the Bank of Israel or a person authorized by the Governor appoints the members of the Committee. Members of the Banks' Clearing House Committee include Bank of Israel representatives (one of whom serves as the Chair, and one as the Chair's alternate) and representatives of the banking corporations and the Postal Bank. The representatives are appointed for a term of five years, and may be re-appointed for further terms. The Chair may, after consulting with the members of the Banks' Clearing House Committee, approve the attendance of permanent or temporary observers at Committee discussions for such a period as is determined under the circumstances of each matter. (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 revisions to the Banks' Clearing House Rules and changes in its operations. These Rules are published on the Bank of Israel website and are updated on the website on an ongoing basis.⁶ The committee publishes a report on its activities 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 presented only electronically. Magnetic payment vouchers and non-magnetic credits and debits (manual drafts) are also presented in the Paper-based Clearing House.

⁶ Clearing House Rules are available at <http://www.boi.org.il/en/PaymentSystem/ActiveClearingHousesInIsrael/Documents/Mislaka.pdf> on the Bank of Israel website.

Paper-based Clearing House Members

The Paper-based Clearing House has 29 members⁷—the banking corporations in Israel, the Postal Bank and the Bank of Israel. Some of them operate in the clearing house directly, while the others are represented by other participants. In the settlement of electronic drafts, 9 participants have the status of direct participants and 20 the status of represented participants, 12 of which are banks in the territory of the Palestinian Authority. Thirteen banks participate directly in the settlement of non-magnetic (manual) credits and debits, and 16 are represented there, 12 of which are banks in the territory of the Palestinian Authority. The banks operating in the 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 Directives (Service to Customer) (Check Debiting and Crediting Date), 5752-1992. The Banks' Clearing House operates at the conclusion of the Sabbath or a holiday in order to settle the drafts made by the banks on the preceding Friday or holiday eve, as the case may be (with the exception of the eve of Purim, the eve of Independence Day, and the eve of Tisha B'Av). A list of business days is published on the Bank of Israel website and is revised annually.⁸

Operating features of the Banks' 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 (during or at the close of the day), members create electronic files containing information on the drafts that were deposited that day. At the end of the day, the files are sent by the 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

⁷ As of January 1, 2017.

⁸ <http://www.boi.org.il/he/PaymentSystem/ActiveClearingHousesInIsrael/Pages/Mislaka.aspx>

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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 — these are meetings at which participants transfer the physical drafts from the payee banks⁹ 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:

	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 daylight savings time, the second session at the conclusion of the Sabbath or 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 is 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

⁹ The payee bank is the bank at which the beneficiary's account is administered.

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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, a delay in return is permitted, as specified in the Banks' Clearing House Rules.

C. Masav (Automated Clearing House)

NIS-denominated interbank transactions that are not paper based, such as standing orders, salary payments, and tax payments, are settled at Masav. The transactions are sent to Masav from the Bank of Israel, the banking corporations, the Postal Bank, government ministries and public institutions, service bureaus, other clearing organizations, and organizations that are permitted to send payment orders directly to Masav.

Two types of transactions are executed in Masav: **Direct credits**, which are instructions to debit the account of the initiator of the credit order and to credit the beneficiaries. Credit orders are payments deriving primarily from organizations: 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,¹⁰ and to credit the account of the initiator of the debit order.

Masav participants

Masav has 41,939 active institutions¹¹ — 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 settlements are settled at the end of the transfer day at the 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.

¹⁰ Subject to the customer's consent to charge his or her account.

¹¹ As of December 31, 2016.

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Payment orders are accepted at Masav throughout the entire working day. The orders are not final, because beneficiaries may return a credit within three business days,¹² and each drawee is entitled to return a debit within three business days.¹³ 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 the interim calculations that Masav performed, which enables the banks to prepare in advance for the liquidity required for settlement in the Zahav system.

Employer codes in Masav

As of December 31, 2016, 1,447 active employer codes were on file with Masav in the system for employers' deposits to provident funds and advanced training funds, compared with 3,140 active codes on December 31, 2015, a decline of 54%. In 2016, these institutions transferred 8.33 million transactions, compared with 25.9 million transactions in 2015 — a decline of 68%.

The significant change in the number of active employer codes, and consequently in the number of transactions, stems from an amendment to the Supervision of Financial Services Regulations (Provident Funds)(Payments to Provident Funds) 5774-2014, which came into effect on January 1, 2016, and which requires employers to use a uniform format for transmitting information between employers and the consumers of this information in the field of pension savings. The format defines the structure of the data, the summation, and the contents of the fields to be transmitted and the circumstances in which such information is to be transmitted. At this point, the regulations apply only to employers with more than 100 employees, but they are expected to gradually be applied to employers with fewer employees.

¹² An additional three days will be added for executing returns due to technical reasons.

¹³ An additional three days will be added for executing returns due to technical reasons.

3. Statistical Data and Analysis of Trends

A. The Paper-based Clearing House

In addition to 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.¹⁴

Table 1 indicates that in 2016, the number of Paper-based Clearing House transactions declined by about 4.2%, to 110,410 thousand transactions (compared with 115,261 thousand in 2015), while the value settled by the Paper-based Clearing House declined by about 0.4% from 2015. Since 2011, the number of checks has declined gradually, reflecting a total decline of 10.8% by end of 2016. In contrast, the total value of checks increased by 9.3%. The upward trend in the average amount of checks in recent years is considerable — from NIS 6,851 in 2011 to NIS 8,394 in 2016, reflecting a significant increase of 23%.

Components of the paper-based clearing house, 2013 to 2016 :Table 1										
	2013		2014		2015		2016		Change in 2016	
	Value (NIS m.)	Volume (th.)	Value (%)	Volume (%)						
^{1,2,3} drafts Manual	31,985	189	34,030	177	49,586	223	57,051	215	15.1	-3.6
Debits	31,196	169	33,513	161	49,090	205	56,614	201	15.3	-2.0
Credits	789	20	517	16	496	18	437	14	-11.9	-22.2
Checks	902,142	120,366	906,864	117,647	936,346	115,036	924,935	110,195	-1.2	-4.2
Presentations	850,519	116,699	854,322	114,129	874,646	111,610	858,042	106,828	-1.9	-4.3
Returns	26,026	2,647	25,642	2,499	26,771	2,441	30,166	2,562	12.7	5.0
Collection vouchers	25,597	1,020	26,900	1,019	34,929	985	36,727	805	5.1	-18.3
Total	934,127	120,555	940,893	117,824	985,932	115,259	981,986	110,410	-0.4	-4.2

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.

¹⁴ Payment orders are settled in the Zahav (interbank) system, in Masav (credits) and in the Paper-based Clearing House.

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The average value of check-based transactions indicates that checks are a very acceptable means of payment in Israel's business sector for payment of large amounts. Among other things, checks are used to pay for retail transactions in installments and tax payments. Check returns amounted to 3.5% of the total value of checks this year. A significant increase in the amount of manual debits is also noticeable — and is the direct result of an increase in the amounts of corporate securities and bond issuances.

Table 2: Presentations and returns of checks and presentations of collection vouchers at the Paper-based Clearing House, 2016

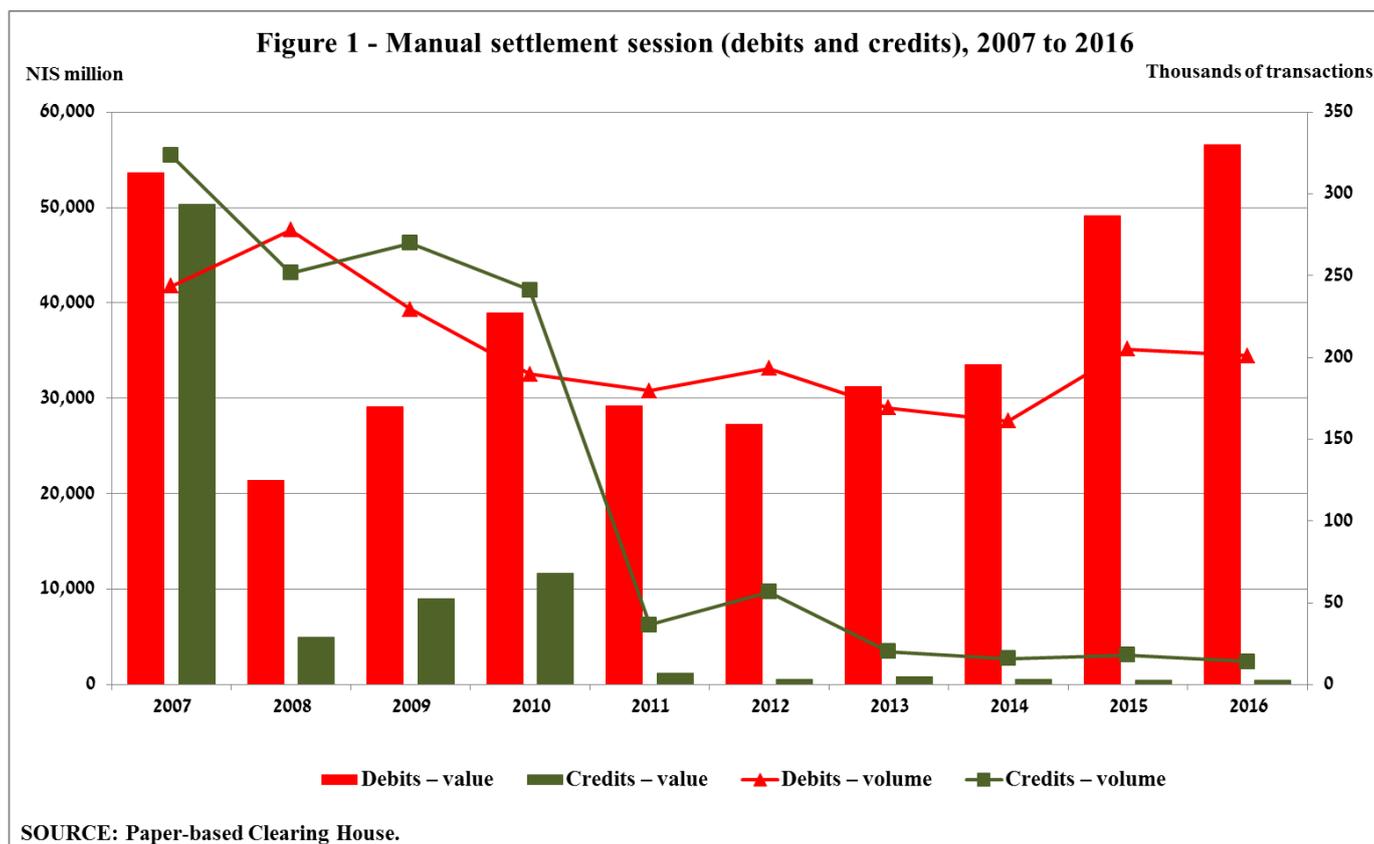
	Check presentations		Check returns		Collection vouchers		Total electronic settlement		Percent of returns	
	Volume (in th.)	Value (in NIS m.)	Volume (in th.)	Value (in NIS m.)	Volume (in th.)	Value (in NIS m.)	Volume (in th.)	Value (in NIS m.)	Volume	Value
January	8,978	76,689	211	2,682	78	3,161	9,267	82,532	2.35	3.50
February	8,848	70,984	192	2,211	67	2,824	9,107	76,019	2.17	3.11
March	9,528	73,731	212	2,438	73	3,283	9,813	79,452	2.23	3.31
April	8,281	68,173	191	2,375	57	2,788	8,529	73,336	2.31	3.48
May	9,597	74,751	214	2,383	65	2,950	9,876	80,084	2.23	3.19
June	8,643	68,104	211	2,397	66	3,268	8,920	73,769	2.44	3.52
July	9,219	74,982	215	2,654	65	3,313	9,499	80,949	2.33	3.54
August	8,722	72,749	209	2,497	69	3,231	9,000	78,477	2.40	3.43
September	9,206	73,135	222	2,567	73	3,318	9,501	79,020	2.41	3.51
October	7,537	54,441	210	2,250	48	1,781	7,795	58,472	2.79	4.13
November	9,459	77,681	244	2,765	74	3,273	9,777	83,719	2.58	3.56
December	8,810	72,620	231	2,947	71	3,537	9,112	79,104	2.62	4.06
Total	106,828	858,040	2,562	30,166	806	36,727	110,196	924,933	2.40	3.52

SOURCE: Paper-based clearing house.

As in recent years, the Bank of Israel also continued to take action in 2016 to improve the efficiency of Israel's payments system. As part of these efforts, the Bank of Israel took steps to reduce manual settlements (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 shift this activity to electronic settlement, which will markedly reduce the total value of debits settled in the Paper-based Clearing House. Figure 1 indicates the considerable change that occurred in recent years in manual settlement activities in the Paper-based Clearing House. In November 2010, a significant decline in manual

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settlement activities is observed, resulting from the transition of vouchers to electronic settlement, as part of the efforts to abolish manual settlement.



Beneficiary codes for use in payment vouchers

An institution wishing to issue a payment voucher, which can be used to collect payments through a bank, must first contact the bank where its account is administered to receive a beneficiary code for the payment vouchers it issues. The banks apply on behalf of their customers to the secretary of the Banks' Clearing House Committee, who allocates the necessary beneficiary codes. Following this allocation, the Bank of Israel reports to all the banks on the allocation of the beneficiary codes.

In 2016, at the banks' request, the Bank of Israel issued 191 codes for magnetized payment vouchers, compared with 258 codes issued in 2015, of which 163 were codes for the private sector and 28 for local governments.

B. Masav

Direct electronic payments (direct debits/credits) are payments that are executed by automated means, without manual intervention. The two systems that carry out electronic payments in Israel are Zahav and Masav. The Zahav system executes

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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 or her account and credit the 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 final,¹⁵ and the credited party may return the payment within three business days from the date of execution. The majority of direct credits (salaries, pension contributions, and other payments) are initiated electronically, which considerably reduces the processing costs of each payment order for the customer, the bank, and the clearing house.

The volume of direct credits and the value credited by Masav has grown steadily in recent years. Direct credits totaled approximately NIS 2,345 billion in 2016, compared with NIS 2,169 billion in 2015 (an annual increase of 8.09%).

Table 3: Masav activity, 2016			
Period	Volume (in th.)	Value (NIS mil.)	Average value per transaction (NIS)
January	28,310	226,224	7,991
February	28,554	217,178	7,606
March	29,044	241,801	8,325
April	29,215	216,083	7,396
May	29,803	250,176	8,394
June	29,554	236,900	8,016
July	29,894	237,075	7,931
August	30,716	249,203	8,113
September	30,347	258,946	8,533
October	28,305	217,660	7,690
November	30,715	241,344	7,858
December	30,718	276,006	8,985
Total	355,175	2,868,596	8,077

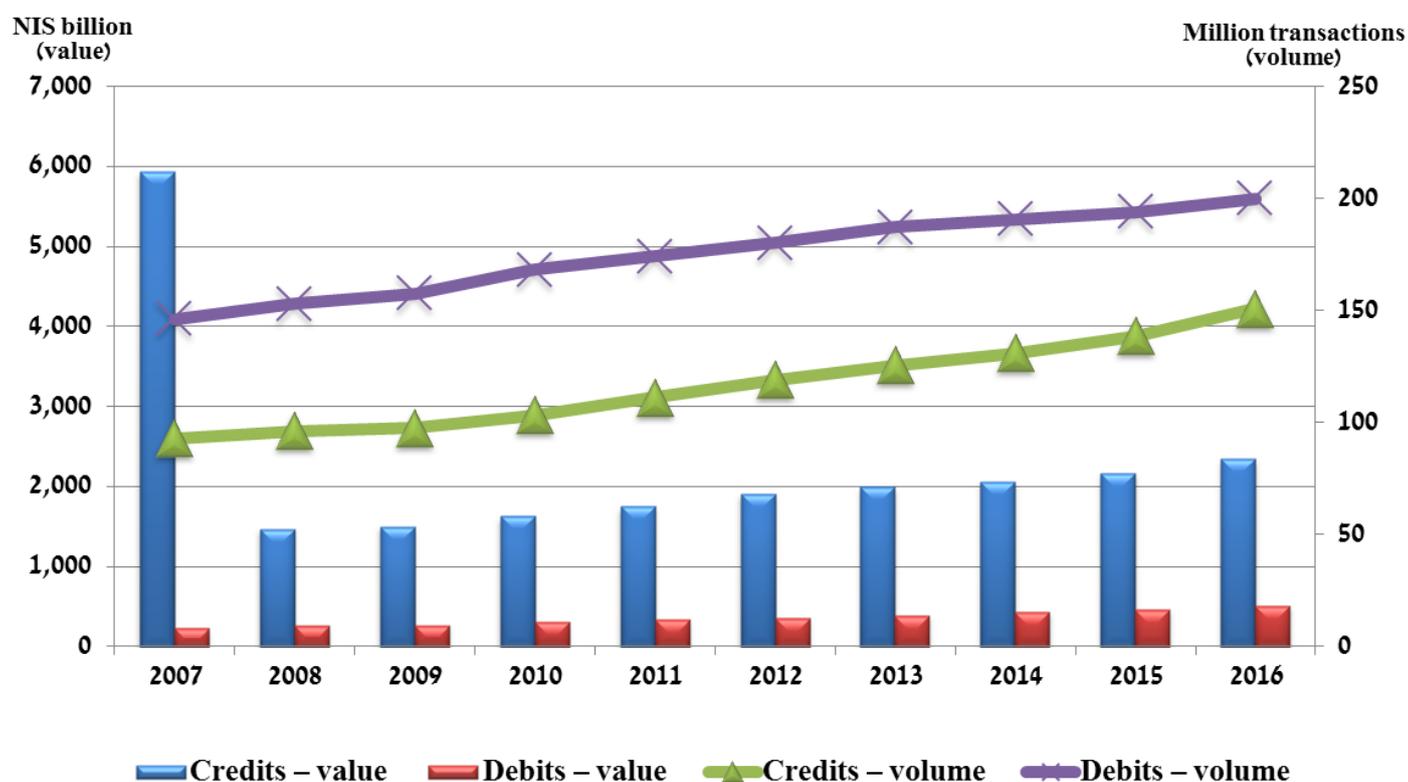
SOURCE: Masav.

¹⁵ Payment is final upon settlement of the payment order that was transferred from Masav to Zahav.

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 consented. The primary type of direct debit in Israel is a standing payment order (payments to utility providers 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 2016, direct debits totaled approximately NIS 517 billion, compared with approximately NIS 465 billion in 2015 (an annual increase of approximately 11.11%).

Figure 2 - Masav data by components, 2007 to 2016



SOURCE: Masav.

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Table 4: Masav activities, 2016

	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	11,585	184,609	16	117	16,384	41,055	325	443
February	11,814	176,093	16	102	16,398	40,497	326	487
March	12,066	199,297	19	120	16,642	41,975	316	409
April	12,593	174,212	19	100	16,294	41,368	309	403
May	12,572	206,187	16	116	16,871	43,449	345	424
June	12,590	193,588	17	110	16,628	42,791	318	412
July	12,779	192,012	18	142	16,755	44,374	342	548
August	13,556	204,043	23	143	16,803	44,473	334	544
September	13,122	212,819	18	140	16,861	45,565	346	422
October	11,448	177,495	15	95	16,493	39,638	349	431
November	13,373	194,968	19	139	16,951	45,727	372	509
December	13,323	229,314	22	149	17,012	46,070	361	473
Total 2016	150,821	2,344,637	218	1,473	200,092	516,982	4,043	5,505
Total 2015	138,557	2,169,094	183	1,255	193,949	465,276	3,800	4,624
Year over Year change in 2016 (percent)	8.85	8.09	19.13	17.37	3.17	11.11	6.39	19.05

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, 2017.

	Member	Alternate
<u>Bank of Israel representatives</u>		
Chairperson	Ronit Chitayate	Anat Shabat
	Yael Rashti	Helene Balouka
	Regina Sabov	Ariel Sanua
	Granit Ofek ¹	Hila Danieli Nechama ²
	Elad Yaakobi	Teddy Duchovny
	Margalit Rokach ²	
	Amitai Lapidot	Yafa Moshe
	Elitzur Weiser ³	
<u>Representatives of the banks</u>		
Israel Discount Bank Ltd.	Yitzhak Kalderon ⁴	Yitzhak Kontanta
Israel Postal Bank	Genya Habaz ⁵	Yitzhak Florentin
Bank Hapoalim Ltd.	Zeev Hugi ⁶	Dror Kriegel
The First International Bank of Israel Ltd.	Dalia Lavon	Motti Shaul
Bank Leumi Le-Israel Ltd.	Eitan Dan	Michael Ramati ^{7,8}
Mizrahi-Tefahot Bank Ltd.	Asher Rachman ⁹	Moshe Romi
Citibank Israel	Inbal Tatro	Assi Levy
Bank Yahav for Government Employees Ltd.	Livnat Leibowitz ¹⁰	Shahar Alon ¹⁰
Banks' Clearing House Secretary—Bank of Israel representative	Ori Altalat ¹¹	
¹ As of March 31, 2016 ² Chair of Subcommittee for Clearing Diamond Denominated Accounts. ³ Legal advisor to Banks Clearing House Committee and Chair of Lawyers Committee. ⁴ As of January 31, 2017. ⁵ Chair of the Subcommittee for Abolishing Manual Settlement. ⁶ Chair of the Application Subcommittee. ⁷ Chair of the Communications Network Subcommittee. ⁸ As of January 1, 2017. ⁹ As of January 31, 2017. ¹⁰ As of January 1, 2017. ¹¹ Chair of the Clearing House Rules Committee.		

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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	The representing bank in: Settlement of electronic drafts	The representing bank in: Settlement via Masav
4	Bank Yahav for Government Employees Ltd. ²	+	+	+
9	Israel Postal Bank	+	+	+
10	Bank Leumi 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.	+	+	+
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.

² On January 1, 2017, Bank Yahav became independent and began to represent itself, instead of being represented by Bank Hapoalim.

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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^{1,2}

Bank Code	Name of Bank	The representing bank in the settlement of electronic drafts	The representing bank in settlement via Masav
37	Bank of Jordan	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

¹ On January 13, 2016, Bank Hapoalim ended its representation of HSBC Bank Middle East.

² On September 16, 2016, Bank Hapoalim ended its representation of Palestine Commercial Bank.

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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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Name of the institution	Name of clarifier	
State Bank of India (SBI) ²	Gila	Tzruya
	Diana	Glanz
Bank Yahav for Government Employees Ltd.	Shahar	Alon
Citibank Israel	Inbal	Tatro
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 2017	Bank Yahav switched computer systems from the Bank Hapoalim systems, on which it had relied in recent years, to a new computer system of its own. As a result, Bank Yahav became an independent bank throughout the settlement process, including clearing nonmagnetic drafts, clearing magnetic drafts (checks and collection vouchers) and clearing through Masav. Mizrahi-Tefahot Bank represents Bank Yahav vis-à-vis the clearing house members in everything regarding the transmission and receipt of physical material—checks, vouchers, and manual clearing.
January 2017	Clearing the proceeds of securities issues and corporate bonds, which was conducted manually until January 1, 2017, is conducted from this point onward solely in the Zahav system. This process markedly reduces the risks and provides finality for the financial clearing before depositing the securities at the Tel Aviv Stock Exchange.
November 2016	Beginning on November 8, 2016, interbank despositing of a check deposited via cellular application is possible.
November 2016	The Governor's Electronic Check Clearing (Scanning, Retention and Issuing an Output of a Scanned Check) Rules, 5776-2016, are published in Reshumot (government gazette).
August 2016	The Governor's Electronic Check Clearing (Retaining Checks) Rules, 5776-2016, are published in Reshumot (government gazette).
June 2016	Update of Masav Regulations, in accordance with the Prohibition on Money Laundering (The Banking Corporations' Requirements regarding Identification, Reporting, and Record Keeping for the Prevention of Money Laundering and the Financing of Terrorism) Order, 5761-2001, which refers to transfers from abroad.
February 2016	Publication of the Electronic Check Clearing Law, 5776-2016.
January 2016	On January 1, 2016, Bank Leumi merged into itself the Arab

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Month and year	Event
	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).
July 2015	The Shva protocol principles are defined, and terms of access to the Masav and Shva payment systems were formulated.
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 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

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Month and year	Event
	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 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

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Month and year	Event
	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. 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 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

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Month and year	Event
	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). This is in accordance with Annexure 1(2) of the Zahav System Rules and in accordance with Circular number PSC-2010-1, published by the Supervisor of Accounting and Payment and Settlement Systems on June 10, 2010.
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.
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

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Month and year	Event
	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 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'

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Month and year	Event
	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.
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.

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Month and year	Event
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.