



Bank of Israel

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

2017



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To:

Members of the Banks' Clearing House Committee

We have worked hard in recent years to promote the reform of the Paper-based Clearing House, designed to transform it into an electronic, faster, and lower-risk clearing house. In 2017, we completed two very significant stages—full implementation of the Electronic Check Clearing Law, 5776-2016, and the cancellation of the manual clearing session—with the shift of the activities cleared through it to electronic clearing. These are major changes, from the technological as well as the business perspectives, which reduce the risks in the clearing house system and increase the efficiency of the clearing processes for bank customers and for the overall banking system.

In May of this year, the shift of manual clearing to electronic clearing was completed, and the manual clearing session was cancelled, a process that led to the reduction of risk in the Paper-based Clearing House and to an increase in the clearing house's operating processes.

In November of this year, the full implementation of the Electronic Check Clearing Law was completed, a revolution in the check clearing process in Israel. Many resources were invested in this project, by all the Clearing House members. The process began in 2015 with the drafting of an Electronic Check Clearing Bill. The Law was passed in February 2016, and mobile clearing was implemented in November 2016. The law was amended in the beginning of November 2017, and was imposed on all checks in Israel on November 21, 2017.

I am proud to have taken part in these processes, which are possible due to the collaboration, the uncompromising professionalism, and the considerable investment by all involved. Profound thanks are extended to the members of the Banks' Clearing House Committee, the Secretary of the Committee, and to the related working groups—the Legislation Committee, the Communications Interface Committee, the Application Committee, the Rules Committee, the Returned-check Reasons Committee, the Execution Office Interface Committee, and the International Clearing Relations Committee—with participants that are Committee members, representatives of the Bank of Israel, and representatives from the Ministry of Justice, Israel Police,

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and the Enforcement and Collection Authority, for professional, serious, and dedicated leadership of the Paper-based Clearing House reform.

In the coming year, we expect to face additional challenges to completing the reform in the Paper-based Clearing House—the implementation of the Reducing the Use of Cash Law, the truncation of payment vouchers and of manual materials. This is in addition to the various issues that the Banks' Clearing House Committee deals with routinely.

The 2017 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.

With thanks and appreciation,

Ronit Chitayate

Banks' Clearing House Committee Chairperson

1. Main Developments in 2017

A. The Banks' Clearing House Committee

The Banks' Clearing House Committee convened 14 times in 2017 and discussed various issues. Following are the main resolutions:

A.1 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 began a period of 18 months during which both physical and electronic clearing was permitted. In actuality, the Law was implemented several months before the effective date listed in it (February 2018)—on November 21, 2017. Beginning then, clearing of checks may be performed only electronically.

The implementation of the Electronic Check Clearing Law, 5776-2016, is a real revolution in all that is related to interbank clearing of checks. Many resources, from the entire banking system, were invested in this project, which began in 2013 with the writing of the Electronic Check Clearing Law and was managed by the Banks' Clearing House Committee.

In the previous check clearing process, a customer was required to physically deposit the check at a bank branch, and the check was sent from the charging bank at which it was deposited (hereinafter, “the payee bank”) to the bank at which it would be presented for settlement (hereinafter, “the drawee bank”). If the check wasn't honored, the check was returned from the presenting bank to the charging bank, and from it to the customer, and could be collected by re-presenting the check to the bank, to the execution office system, or in court.

Beyond progress, digitization, and speed of the clearing, the Law **enhances the efficiency of the check-clearing process** among Clearing House members, improves

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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the **convenience for the customer** both when presenting the check and in handling a check that was returned, and in the future will allow the **assuring of finality of transactions** in a more rapid manner (instead of the 3 days required to ensure finality of a check). The law also improves the **Execution Office proceedings** and makes it possible to **reduce fees** due to the switch from physical banking activities to electronic banking activities.

The main points of the Electronic Check Clearing Law and its ramifications:

Enhancing the efficiency of the check clearing process: Cancelling the need for physical transport back and forth of checks, their storage and retrieval

Regulating the return of a check that is not honored: If the check deposited is not honored (for example, due to “insufficient cover”), the customer, at his request, will receive an output of the computerized check in order to continue the collection proceedings via the Execution Office.

Regulating the admissibility of the computerized check in legal proceedings: The computerized check output is to be considered as a check in all respects, and shall serve as admissible evidence to prove the veracity of its contents in all legal proceedings.

Improving the convenience for the customer, and savings in the customer’s expenditures: Imaging the checks enables banks to offer advanced technological services, such as depositing checks via mobile device. This means that the customer is not required to physically visit a bank branch to deposit the check for payment, and as a result the fees for depositing a check are decreased by approximately 75 percent (compared with depositing a check through a bank clerk).

Ensuring transactions very rapidly: Electronic clearing will assist in the examination of the future possibility of shortening the length of time that passes from when a check is presented for payment until the customer’s account is credited. (Currently the credit from a check becomes final only after three business days.)

Continuing the use of checks in emergencies: Even in a situation in which it will not be possible to deposit checks via bank branches (for example, if the roads are blocked), it will be possible to continue executing payments via checks.

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The project was managed, as noted, in the Banks' Clearing House Committee, in which representatives of the various direct participants are members. The Banks' Clearing House Committee established joint work teams, which were managed by representatives of the participants and of the Bank of Israel, which also concentrated and coordinated between the work teams.

The Subcommittee for the Establishment of a Communications Network—The subcommittee was established to set up a communications network among the banks. The goal of the Subcommittee was to formulate work processes and agreed-upon rules among the banks for transmitting image files of checks between the banks, as a mandatory standard for the banks. The Subcommittee was headed by Michael Ramati, Head of Operations and Clearing at Bank Leumi. Participants included representatives of the Bank of Israel and of Bank Hapoalim, Discount Bank, Bank Leumi, First International Bank, the Postal Bank, Mizrahi Bank, and Citibank. The Subcommittee discussed the content of the files, how to send them, the quality and completeness of the picture, handling of checks with mistakes and their transmission between banks, the work process in routine times and emergencies, and information security aspects.

The subcommittee completed its work and submitted a recommendations document. Its recommendations were approved by the Banks' Clearing House Committee and were implemented by the Application and Cellular Subcommittee, and the clearing house rules were updated accordingly.

The Subcommittee for the Definition of Principles for Image-Based Work Processes (the Application and Cellular Subcommittee)—The subcommittee was set up to examine the development required to implement interbank check truncation, with an emphasis on the interfaces between banks. The goal of the Subcommittee was to examine the process of stopping interbank checks and to decide on application issues required in the conversation between banks (beyond the definition of the files and their structure, a task that was dealt with by the Subcommittee for the Establishment of a Communications Network). The Subcommittee was charged with defining and implementing all the various examination processes and building the processes for going on air.

The Subcommittee on Updating and Changing the Clearing House Rules—The new clearing process required the rewriting of the work rules and procedures and the

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clearing processes between the clearing participants, so the Subcommittee was established, with participants from all the clearing house members. The Subcommittee submitted its recommendations, and they were approved by the Banks' Clearing House Committee. The new Clearing House Rules were published on the Bank of Israel website when the new process went live.

Reporting to the Enforcement and Collection Authority on the issuing of a computerized check output—As a complementary step and due to the implementation of the law, the **Enforcement and Collection Authority** requested to streamline the file opening process. The Banks' Clearing House Committee approved the 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 enhances the efficiency and significantly improves the Authority's work by allowing it to immediately verify each dishonored check using the printout of digitized check, and prevents the erroneous or improper initiation of court execution files.

Amending Legislation: In the operational preparations ahead of the total banking system's switch to electronic clearing, the need arose for three amendments to existing legislation. The first one deals with clearing checks in foreign currency, the second deals with electronic clearing of checks with the involvement of the Bank of Israel, and the third deals with electronic clearing of checks between banks in Israel and foreign financial institutions. The legislative amendment was published by the Knesset on November 7, 2017.

In addition to the amendment of legislation, it was required to establish amendments for electronic clearing of checks, regarding clearing vis-à-vis the Palestinian banks. These amendments were established by the Minister of Justice after consultation with the Governor of the Bank of Israel and were approved by the Knesset's Economic Affairs Committee. The Minister of Justice published them on November 19, 2017.

A.2 Abolition of the manual settlement session

The abolition of the manual settlement session is a part of a major reform occurring in the Paper-based Clearing House in changing it into an electronic, faster, and lower risk clearing house. In the first checks clearing house session, banks transmitted

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presentations and returns of nonmagnetic (manual) drafts, such as manual debits and credits and returns of manual debits and credits.

Most of the sums debited in the manual settlement session derived from the settlement of corporate bond and security issuance proceeds. In 2016, a solution was approved to shift the settlement of corporate securities issuance funds, which had been settled manually, to electronic settlement through the Zahav system. The new process required that the entities participating in the issuance transfer the funds through the Zahav system to 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. **Beginning on January 1, 2017, settlements of such activity are made only through the Zahav system.** The substantial change in settlements of corporate securities is evident in the data on manual settlement, as will be described in Chapter 3.

In addition to the change in the process of settling corporate securities, a subcommittee was established for promoting the abolition of the manual settlement session and shifting the drafts settled via it to electronic settling or to more advanced and safer payment systems. The subcommittee reviewed the types of manually settled activities, other than corporate securities issuances, and examined methods to shift these to electronic settlement. These are the types of operations that were 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 an automation-related problem that prevents electronic return, and provided that the return is performed within the return dates defined in the Clearing House Rules and in Banking Directives; Requests for a letter of indemnification in the event of a missing document; settlement of optical vouchers; and promissory notes and enquiries between banks. The solution provided for these activities is to move the manual settlement to electronic settlement on Masav. The manual settlement session was abolished as planned, on May 22, 2017.

The significance of the abolition of the manual settlement session is:

- **Reducing the risk in the Paper-based Clearing House**—electronic clearing makes it possible to settle and transmit the information very rapidly. Shifting the manual clearing to electronic clearing also markedly reduces the operational risk that manual clearing brought to the Paper-based Clearing House.

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- **Increasing the efficiency of work processes in operating the clearing house**—abolishing the manual clearing session means the cancellation of a marked volume of the malfunctions that occur during the nighttime session of the checks clearing house and a 60 percent reduction in malfunctions in the clearing house.

A.3 Examining and updating the reasons for return of checks³

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 with the implementation of the Electronic Check Clearing Law. As such, 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. The change in the reasons for return went into effect on January 17, 2018.

A.4 Main modifications to the Banks' Clearing House Rules, Appendices and Standards:

Following are the modifications made to Clearing House Rules, Appendices, and Standards in 2017:

Modification	Updated Rules	Date of modification
In the beginning of 2017, "Bank Yahav" became an independent bank throughout the settlement system, so a change was made in its representation system in the Paper-based Clearing House and Masav.	Appendix 302—List of clearing house members and representation network	January 1, 2017
Update of the rules regarding clearing processes of manual drafts as a complementary measure to abolishing the manual settlement session.	Chapters 200–500	May 22, 2017

³ The table with the explanation of return reasons may be found in Chapter 206 of the Clearing House Rules.

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Modification	Updated Rules	Date of modification
Banks in the autonomous Palestinian area—"Bank Hapoalim" ended its representation of Palestine Commercial Bank (38), in accordance with its notice.	Appendix 302—List of clearing house members and representation network	September 3, 2017
The annual update of bank branches whose weekly day of rest is not Saturday was carried out.	Appendix 304	September 3, 2017
Update of the Clearing House Rules, Appendices, Specifications and Standards such that they allow full implementation of electronic check clearing.	Chapters 200–500	November 21, 2017

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:

- a. **Legal examination of the check clearing processes in the electronic check clearing age vis-à-vis the Palestinian Authority**—within the framework of amending the Electronic Check Clearing Law.
- b. **Legal examination of the processes of non-physical presentation of a check by a customer**—due to the Electronic Check Clearing Law, bank customers can deposit a check via mobile phone. Currently, since the full implementation of the Law, additional ideas have arisen with the goal of enabling bank customers to deposit a check without physically presenting it, similar to deposit via cellar. These solutions also reached the Lawyers Committee, which is examining if there are legal issues that need to be considered. This is in order to allow more advanced means of deposit for customers, together with the required fairness and legal references.
- c. **Removing the "pay to the order of" wording from the uniform check standard**—in the system rules, Standard 501, there are two types of check—a check without limited negotiability and a check with limited negotiability. On a check without limited negotiability, by the payee's line, there are the words "Pay to the order of _____"; on a check that has limited negotiability, there are the words, "Pay to _____".

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Based on a Supreme Court ruling, there is no difference between the two types of check, and the word “order” should be deleted because it creates an apparent difference. **Standard 501 will be amended so that the said difference between negotiable and non-negotiable checks is removed. The only difference in negotiability that will be emphasized is whether “for beneficiary only” is written or not.**

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 is led by the Bank of Israel, and its members are representatives of the banks that participate 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, and there are additional sections in other chapters of the Clearing House Rules that also apply to clearing Diamond Denominated Accounts. 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 2017, the Subcommittee convened twice and discussed the following matters:

- 1. Signature of the reason for return of the check**—currently, when a check is returned, a check output is attached, and there is no signature on the check itself. The need was raised for the reason for the return to be stamped on the check itself.
- 2. Absolute credit form**—the question of whether to make use of an absolute credit form was raised.
- 3. The Subcommittee discussed additional operations-related matters**—clearing processes between banks, updating the Clearing House rules, and the Committee’s work processes.

D. The Masav Subcommittee

The Masav Subcommittee is a permanent subcommittee of the Banks’ Clearing House Committee. The Subcommittee’s members are representatives of Masav, the Bank of Israel, and the banks participating in Masav. The Subcommittee is subordinate to the

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Banks' Clearing House Committee and deals with issues related to Masav. The Subcommittee's recommendations are subject to approval by the Banks' Clearing House Committee. This year, the Subcommittee convened four times and discussed the following main matters:

- 1. Access to the Masav system for nonbank payment service providers**—in accordance with the recent reforms in the payments system in Israel, and in accordance with the bill to regulate payment services, the importance of opening the payments system to competition was emphasized. This is through enabling nonbank payment service providers—credit and deposit unions and payment entities—to connect to Masav both directly and indirectly through a direct participant. In 2017 and in 2018, the discussions on regulating the model continued to center on the business and operational solution to connecting nonbank payment service providers to Masav.
- 2. Masav rules**—As of today, the Masav rules are detailed in Chapter 207 of the Banks Clearing House rules, together with the Checks Clearing House rules. During 2017, Masav worked extensively to update the rules, directives, and procedures so that they would be more detailed and would regulate the work processes and responsibilities of the Masav system. These rules will obligate all the system participants and will serve as system rules distinct from the clearing house rules.
- 3. Distribution of permissions**—The work processes for distributing permissions were updated and made more efficient, as written at length in Proper Conduct of Banking Business Directive 439. The changes will be implemented in two stages: In the first one, all the banks will have to prepare to receive and send messages to the institutions assigned to issuing the authorizations. In parallel, Masav began to transfer authorizations directly to the assigned institutions in place of the representing banks. This stage was carried out successfully in December 2017. The second stage, in which all the banks will send the information on setting up the permissions to the representing banks, was established in the first quarter of 2018.
- 4. Operational issues that are related to Masav activities were also discussed.**

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

The entity for the Resolution of Disputes between Clearing House Members—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 2017, nine cases were referred to the Panel. Three applications were dismissed in view of an agreement between the parties; five applications were resolved after a dispute resolution process; one application is pending a decision.

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.⁴ The committee publishes a report on its activities once a year.

B. Paper-based (Checks) Clearing House

The drafts presented by the banks⁵ in the Paper-based (Checks) Clearing House are primarily checks, which are now presented only electronically. Magnetic payment vouchers are also presented in the Paper-based Clearing House.

Paper-based Clearing House Members

⁴ Clearing House Rules are available at <http://www.boi.org.il/en/PaymentSystem/ActiveClearingHousesInIsrael/Documents/Mislaka.pdf> on the Bank of Israel website.

⁵ Until May 2017, non-magnetic drafts (manual drafts) were also cleared. Beginning from that date, such activities were transferred to clearing on Zahav or Masav, depending on the specific activity (see Chapter 1).

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The Paper-based Clearing House has 29 members⁶—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. Nine banks have the status of direct participants and 20 the status of represented banks, 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 either the following two banks in Israel—Bank Hapoalim or 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 transactions 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.⁷

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 via the various deposit channels in the course of that day, and 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 member that dealt with them 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 at the Bank of Israel. 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. In parallel with the electronic process, there is a session held at night, during which participants transfer the physical drafts from the payee banks⁸ to the drawee banks. In this session, the physical documents in respect of presentations and returns of manual drafts and the physical documents in

⁶ As of January 1, 2018.

⁷ <http://www.boi.org.il/he/PaymentSystem/ActiveClearingHousesInIsrael/Pages/Mislaka.aspx>

⁸ The payee bank is the bank at which the beneficiary's account is administered.

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respect of presentations of payment vouchers via the electronic method are transferred.

Session times:

Weekdays	Following the conclusion of Sabbath and Public Holidays
01:00 (the following morning)	23:00

Clarifications:

- ✓ During daylight savings time, the 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 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 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 session is held at 23:00.
- ✓ On the eve of Independence Day, the session is held 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, a delay in return is permitted, as specified in the Banks' Clearing House Rules.

C. Masav (Automated Clearing House)

Interbank NIS-denominated 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

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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,⁹ and to credit the account of the initiator of the debit order.

Masav participants

Masav has 45,609 active institutions.¹⁰ Direct participants are banks, the Postal Bank, and the Bank of Israel. Indirect participants are banks operating in the Palestinian Authority area, government ministries and public institutions and organizations, who maintain an account with one of the direct settlement participants. 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 are settled at the end of the transfer day at the same day value (T). Reconciliations between banks (that is, interbank settlement) 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 beneficiaries may return a credit within three business days,¹¹ and each drawee is entitled to return a debit within three business days.¹² In the Zahav system, returned payment transactions receive the value of the day of their presentation.

⁹ Subject to the customer's consent to charge his or her account.

¹⁰ As of December 31, 2017.

¹¹ An additional three days will be added for executing returns due to technical reasons.

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

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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, 2017, there were 893 active employer codes were on file with Masav in the system for employers' deposits to provident funds and advanced training funds, compared with 1,447 active codes on December 31, 2016, a decline of 38 percent. This decline is a direct continuation of the reform carried out by the Ministry of Finance in the area, in which employers were asked to report to institutional investors on pension investments via the uniform interface. As such, an increasing number of employers are leaving the system, which was not aligned with uniform interface. Another major change is a marked increase in the amounts these entities transferred—about 85.64 million transactions, compared with 8.33 million transactions in 2016. This increase is a result of the "Savings for every child" reform, as part of which the National Insurance Institute deposits amounts in provident funds through the Masav's provident system.

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 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; the number of checks is about half of the number of payment orders cleared in the interbank payments systems.¹³

Table 1 indicates that in 2017, the number of Paper-based Clearing House transactions declined by about 4.9 percent, to 104,957 thousand transactions (compared with 110,410 thousand in 2016), while the value settled by the Paper-based Clearing House declined by about 6.1 percent from 2016. In addition, it can be seen that since 2011, the number of checks has declined gradually, reflecting a total decline of 15.1 percent by end of 2017. In contrast, the growth in the total value of checks halted in 2016, and there has been a trend of decrease since then.

Table 1: Components of the paper-based clearing house, 2014 to 2017

	2014		2015		2016		2017		Change in 2017	
	Value (NIS m.)	Volume (th.)	Value (NIS m.)	Volume (th.)	Value (NIS m.)	Volume (th.)	Value (NIS m.)	Volume (th.)	Value (%)	Volume (%)
Manual drafts^{1,2,3}	34,030	177	49,586	223	57,051	215	1294	78	-97.73	-63.72
Debits	33,513	161	49,090	205	56,614	201	1085	72	-98.08	-64.18
Credits	517	16	496	18	437	14	209	6	-52.17	-57.14
Checks	906,864	117,647	936,346	115,036	924,935	110,195	920931	104879	-0.4	-4.8
Presentations	854,322	114,129	874,646	111,610	858,042	106,828	853785	101605	-0.5	-4.9
Returns	25,642	2,499	26,771	2,441	30,166	2,562	31095	2583	3.1	0.8
Collection vouchers	26,900	1,019	34,929	985	36,727	805	36051	691	-1.8	-14.2
Total	940,893	117,824	985,932	115,259	981,986	110,410	922225	104957	-6.1	-4.9

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

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

² Debits and credits include presentations and returns.

³ In May 2017, the manual settlement session switched to electronic clearing on Masav.

SOURCE: Paper-based clearing house.

¹³ Payment orders are settled in the Zahav (interbank) system, in Masav (credits) and in the Paper-based Clearing House.

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The percentage decline in the value of checks is markedly lower than the decline in the number of checks, and it can be seen that the trend of increase in the average value of a check continues—from NIS 6,723 in 2011 to NIS 8,403 in 2017¹⁴, a marked increase of approximately 25 percent.

Table 2 - Check presentations, value and number per year, and average check amount, 2011–17

	Value			Number			Average check amount		
	NIS million	Annual change	rate of	Thousands	Annual change	rate of	Annual change	rate of	
2011	804,944		-	119,726		-	6,723	-	
2012	814,208		1.15%	118,143		-1.32%	6,892	2.51%	
2013	850,519		4.46%	116,699		-1.22%	7,288	5.75%	
2014	854,322		0.45%	114,129		-2.20%	7,486	2.71%	
2015	874,646		2.38%	111,610		-2.21%	7,837	4.69%	
2016	858,573		-1.90%	106,828		-4.28%	8,032	2.49%	
2017	853,785		-0.50%	101,605		-4.89%	8,403	4.62%	

SOURCE: Paper-based (Checks) Clearing House.

¹ Only interbank check data.

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 3.6 percent of the total value of checks this year (similar to the value of check returns of overall checks, including intrabank checks, which was about 3.7 percent.)

¹⁴ The data only refer to interbank checks. The average amount per check (intrabank and interbank) in 2017 was NIS 7,840.

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Table 3: Presentations and returns of checks and presentations of collection vouchers at the Paper-based Clearing House, 2017

	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	9,221	78,125	226	2,580	68	3,074	9,515	83,779	2.45	3.30
February	7,748	65,039	196	2,233	57	2,835	8,001	70,107	2.53	3.43
March	9,547	75,684	223	2,589	63	3,270	9,833	81,543	2.34	3.42
April	7,526	62,894	191	2,199	45	2,321	7,762	67,414	2.54	3.50
May	8,903	71,712	214	2,436	57	3,063	9,174	77,211	2.40	3.40
June	8,527	70,842	210	2,586	59	3,234	8,796	76,662	2.46	3.65
July	8,843	75,081	217	3,085	56	3,087	9,116	81,253	2.45	4.11
August	8,091	70,817	214	2,659	61	2,969	8,366	76,445	2.64	3.75
September	7,974	69,537	200	2,363	54	2,597	8,228	74,497	2.51	3.40
October	8,603	75,597	231	2,586	56	2,866	8,890	81,049	2.69	3.42
November	8,477	68,411	231	2,810	59	3,314	8,767	74,535	2.73	4.11
December	8,145	70,046	229	2,970	57	3,422	8,431	76,438	2.81	4.24
Total	101,605	853,785	2,582	31,096	692	36,052	104,879	920,933	2.54	3.64

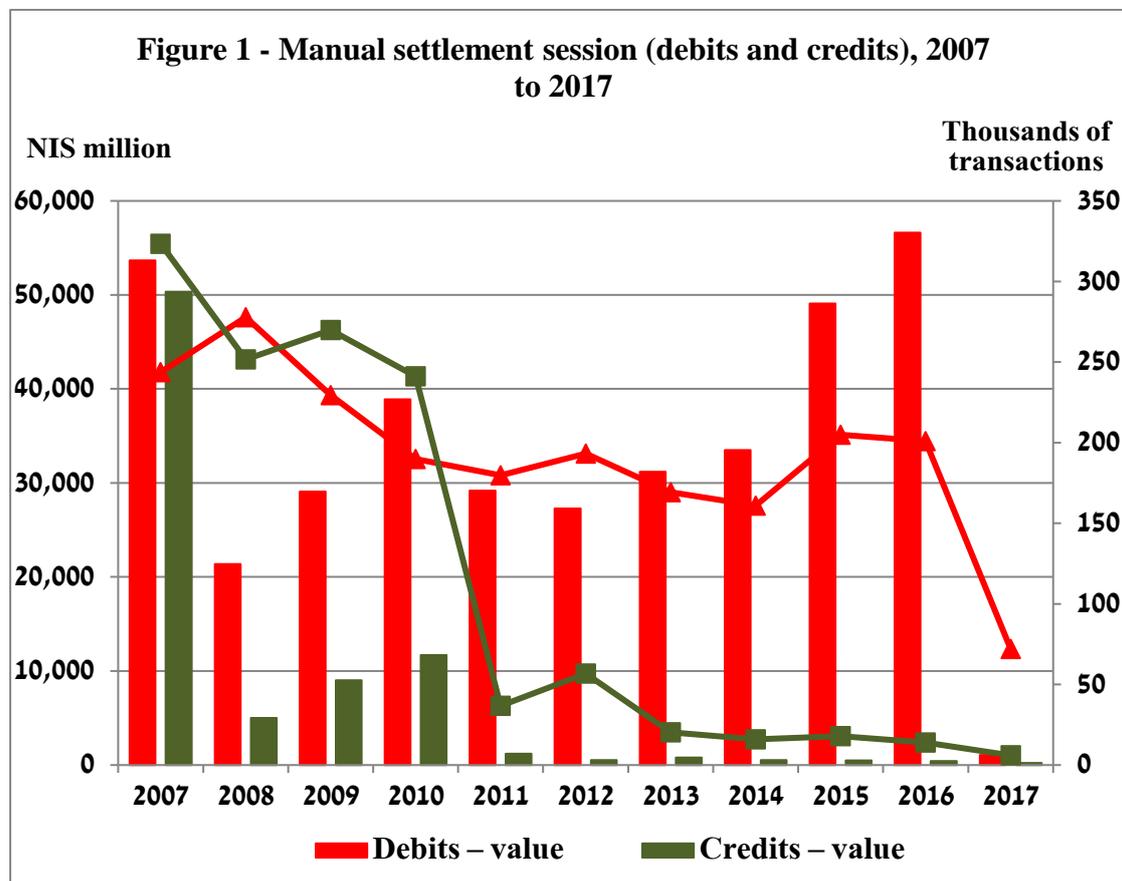
SOURCE: Paper-based clearing house.

As in recent years, the Bank of Israel also continued to take action in 2017 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. Figure 1 indicates the considerable change that occurred in recent years in manual settlement activities in the Paper-based Clearing House:

1. In 2011, a marked decline is seen in manual credit transactions can be seen, the outcome of shifting collection vouchers to electronic clearing.
2. In 2017, another marked decline can be seen, mainly in manual debit transactions. This is the outcome of transferring the settling of funds from corporate security transactions to clearing through the Zahav system, in January 2017.

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In addition to the decline in debit transactions¹⁵, a marked decline in manual credit activity can also be seen, the result of the transfer of such activity to clearing on Masav. With the transfer of these activities in 2017, the shift of all manual activity from the Paper-based Clearing House to electronic clearing was completed.



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.

¹⁵ The amount that transferred from manual clearing in the Checks Clearing House to safe clearing in Zahav in respect of securities issuances (transfers between bank customers) was NIS 71.5 billion in 2017.

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In 2017, at the banks' request, the Bank of Israel issued 200 codes for magnetized payment vouchers, compared with 258 codes issued in 2016, of which 177 were codes for the private sector and 23 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 credits only (the initiator of an order can credit a counter party but not debit it), while Masav clears both credits and debits.

Direct credits: Direct credits are made via Zahav or Masav, as noted, 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 final¹⁶, 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 2,573 billion in 2017, compared with NIS 2,345 billion in 2016 (an annual increase of 9.7 percent).

¹⁶ Payment is final upon settlement of the payment order that was transferred from Masav to Zahav.

Table 4: Masav activity, 2017

Period	Volume (in th.)	Value (NIS mil.)	Average value per transaction (NIS)
January	30,476	246,475	8,088
February	29,848	250,037	8,377
March	31,066	266,222	8,570
April	29,932	242,729	8,109
May	30,456	253,617	8,327
June	31,010	256,585	8,274
July	31,069	267,776	8,619
August	31,449	276,348	8,787
September	30,376	247,485	8,147
October	31,748	278,169	8,762
November	31,676	269,051	8,494
December	32,283	294,092	9,110
Total	371,389	3,148,586	8,478

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 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 2017, direct debits totaled approximately NIS 568 billion, compared with approximately NIS 517 billion in 2016 (an annual increase of approximately 9.8 percent).

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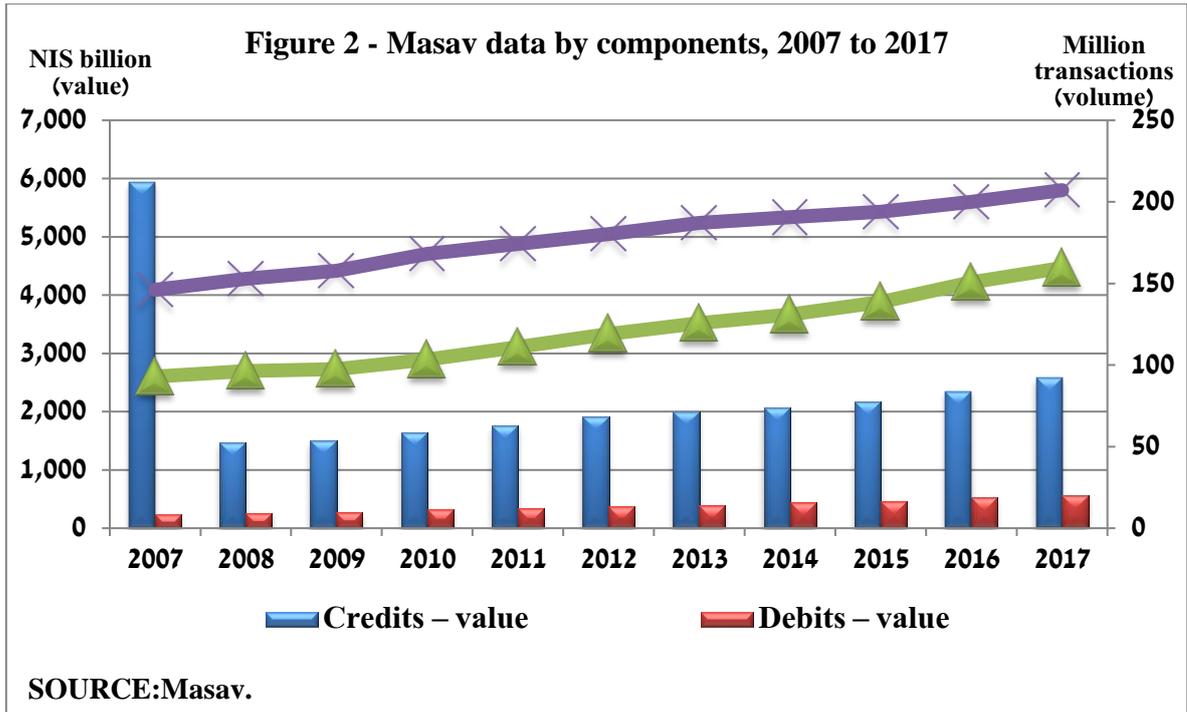


Table 5: Masav activities, 2017

	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	12,941	198,701	21	130	17,134	47,092	381	552
February	12,680	206,151	18	120	16,799	43,264	351	501
March	13,526	219,620	21	130	17,157	46,006	362	467
April	12,490	198,618	22	134	17,079	43,496	342	482
May	13,038	208,095	21	131	17,038	44,893	359	497
June	13,340	208,934	19	121	17,300	47,080	351	450
July	13,528	217,467	21	142	17,162	49,694	358	473
August	13,619	225,424	21	161	17,465	50,240	344	524
September	13,027	200,010	24	124	16,976	46,789	349	562
October	13,465	228,810	20	127	17,851	48,672	412	559
November	13,658	218,457	22	144	17,622	49,928	375	522
December	14,215	242,811	24	170	17,665	50,571	379	540
Total 2016	159,527	2,573,098	254	1,634	207,248	567,725	4,363	6,129
Total 2015	150,821	2,344,637	218	1,473	200,092	516,982	4,043	5,505
Year over Year change in 2017 (percent)	5.77	9.74	16.51	1093.93	3.58	9.82	7.91	11.3

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	Noa Levin
	Yael Rashti	Natalie Matan ¹
	Regina Sabov	Ariel Sanua
	Granit Ofek	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	Yitzhak Contanta
Israel Postal Bank	Genya Habaz ⁴	Yitzhak Florentin
Bank Hapoalim Ltd.	Zeev Hugi ⁵	Dror Kriegel
The First International Bank of Israel Ltd.	Dalia Lavon	Motti Shaul
Bank Leumi Le-Israel Ltd.	Eitan Dan	Michael Ramati ⁶
Mizrahi-Tefahot Bank Ltd.	Asher Rachman	Moshe Romi
Citibank Israel	Inbal Tatro	Assi Levy
Bank Yahav for Government Employees Ltd.	Livnat Leibowitz	Shahar Alon
Banks' Clearing House Secretary— Bank of Israel representative	Ori Altalat ⁷	

¹ As of May 17, 2017

² Chair of Subcommittee for Clearing Diamond Denominated Accounts.

³ Legal advisor to Banks Clearing House Committee and Chair of Lawyers Committee.

⁴ Chair of the Subcommittee for Abolishing Manual Settlement.

⁵ Chair of the Application and Cellular Subcommittee.

⁶ Chair of the Communications Network Subcommittee.

⁷ Chair of the Clearing House Rules Committee.

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

Bank Code	Name of Bank	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
14	Bank Otsar Hahayal Ltd.	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.
54	Bank of Jerusalem Ltd.	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.

F. 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	
	Oferi ²	Weiss	
	Boaz ²	Levi	
Israel Discount Bank Ltd.	Keren	Shlushtain	Adv.
	Yaron	Bentov	Adv.
	Glick	Aviram	
	Julius	Rodick	Adv.
Israel Postal Bank	Yitzhak	Florentin	
Mizrahi-Tefahot Bank Ltd. ¹	Shlomo ¹	Katz	Adv.
	Anat	Shpigelman	
	Asher ¹	Rachman	
	Moshe ¹	Romi	
	Avraham ²	Tzubel	
	Smadar ²	Meyuchas	
Bank Hapoalim B.M.	Shlomit	Eliasaf-Dayan	Adv.
	Zeev	Hugi	
	Gideon	Dor	Adv.
	Dror	Kriegel	
Bank Leumi Le-Israel Ltd.	Michael	Ramati	
	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	
State Bank of India (SBI) ²	Hellen ²	Heifetz	
	Gila	Tzruya	
	Diana	Glanz	

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Name of the institution	Name of clarifier		
Bank Yahav for Government Employees Ltd.	Meirav	Sagi	
Citibank Israel	Inbal	Tatro	
Bank of Jerusalem	Yossi	Alchaik	Adv.

¹ For Diamond Denominated Account issues as well.

² For Diamond Denominated Account issues.

G. Appendix D: Major events in the past decade

Month and year	Event
March 2018	<p>Reducing the risks inherent in use of endorsed checks, blank checks, and cash. The Reducing the Use of Cash Law, 5778-2018, was approved in its second and third readings on March 12, 2018. The Law's goals are to reduce the scope of unreported capital in Israel, to combat money laundering, and to allow the use of efficient advanced means of payment. The Law establishes that above certain amounts, it will be prohibited for the side to pay or accept payment in cash or checks that are not recorded as for beneficiary only. It also prohibited use of payment with blank checks. Violating the limitations involves, under the Law, financial sanctions/fines for both parties to the transaction.</p>
January 2018	<p>Publication of the change in return reasons. Explanations were added to each return reason, detailing the circumstances in which the reason should be noted. It was also established, for each reason, whether when it is being returned, the check that was not honored should be counted toward the number of refused checks under the Checks Without Cover Law, 5741-1981.</p>
November 2017	<p>Full implementation of the Electronic Check Clearing Law. Beginning on this date, checks may only be cleared electronically.</p>
November 2017	<p>Amendment of the Electronic Check Clearing Law. The amendment includes 3 main issues. The first is clearing foreign currency checks, the second covers electronic clearing of checks with the involvement of the Bank of Israel, and the third is electronic clearing of checks between Israeli banks and foreign financial institutions.</p>
May 2017	<p>Abolition of the manual clearing session and shift of all the activity to electronic clearing. Due to this change, the risk in the Paper-based Clearing House was reduced and the work processes in operating the clearing house were made more efficient.</p>
January 2017	<p>Bank Yahav switched computer systems from the Bank Hapoalim systems, on which it had relied in recent years, to a</p>

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Month and year	Event
	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 depositing 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 Arab Israel Bank. On the same date, First International Bank merged into itself PAGI Bank.

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Month and year	Event
October 2015	On October 1, 2015, First International Bank merged into itself UBank.
July 2015	The first reading of the draft Electronic Check Clearing Law was passed by the Knesset (Parliament).
July 2015	The Shva protocol principles¹⁷ were defined, and terms of access to the Masav and Shva payment systems were formulated.¹⁸
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

¹⁷ Principles and Complementary Steps in the Development and Use of a Protocol for Payment Card Transactions.

¹⁸ Terms of Access to Controlled Payment Systems.

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Month and year	Event
	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 clearing 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 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

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Month and year	Event
	<p>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.</p>
2010	<p>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.</p>
November 2010	<p>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 was established.</p> <p>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.</p>
September 2010	<p>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</p>

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Month and year	Event
	representing banks and the represented banks in the manual settlement session had until then been carried out at 9:30, 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). 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.

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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 currently used by the banks:

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	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.
July 2007	Abolition of the recording of transactions at a retroactive value in order for the banks' balances to be final. This change

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	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.