



Bank of Israel

Annual Report of the Banks'
Clearing House Committee

2014

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Annual Report of the Banks' Clearing House Committee, 2014

The 2014 Annual Report of the Banks' Clearing House Committee is presented herewith to the Banks' Clearing House Committee members in accordance with Part A, Chapter 101, Section E of the Clearing House Rules.

Preface

I respectfully submit the 2014 Annual Report to the members of the Banks' Clearing House pursuant to Part A, Chapter 101, Section E of the Clearing House Rules.

The year 2014 posed significant challenges, including promotion of the Electronic Check Clearing Law, which regulates electronic settlement of checks in the banking system, in lieu of physical presentation of checks; regulation of the processing of checks returned; regulation of the admissibility of a digital image of a check in legal proceedings; authorization for determining rules concerning electronic settlement and retention of physical checks and digital images of checks; the determination that a bank's liability towards its customers by law is not affected by a change in the settlement method; publication of the Electronic Check Clearing Bill and increased activity of the Check Truncation Subcommittee; review of the recommendations of the inter-ministerial committee headed by the Director General of the Prime Minister's Office, which are designed to curtail unreported economic activity—the shadow economy—by reducing the use of paper-based means of payment (cash and negotiable checks) and by expanding the use of advanced electronic means of payment; preparations for the inclusion of the Diamond Denominated Accounts Agreement in the Banks' Clearing House Rules for the purpose of regulating the work processes involving bank branches that provide interbank settlement services for accounts that are designated for diamond transactions, and operation of the check clearing house during Operation Protective Edge, in which the clearing house proved its preparedness for operations during emergency situations.

In 2015 we will continue to collaborate with various agencies to promote the Electronic Check Clearing Law and prepare for its implementation; we will make preparations to promote and implement the Reduction in the Use of Cash Law, especially with all respects related to check clearing; we will complete the integration of the Diamond Denominated Accounts clearing in Banks' Clearing House Rules; we will promote the planned reform in the procedures for issuance and clearing of corporate securities including automating the process; we will bolster business continuity and clearing houses' ability to cope with emergency situations, and more.

I am confident that the fruitful cooperation that is characteristic of the members of the Clearing House Committee will continue in 2015 and in forthcoming years. Together, we will be able to implement reforms and fundamental changes that are significant and important for the Israeli economy in general, and for the Banks' Clearing House in particular.

With thanks and appreciation,



Ronit Chitayate
Chairperson

1. Main Developments in 2014

a. The Banks' Clearing House Committee

The Banks' Clearing House Committee convened seven times in 2014 and discussed various issues. The main issues that were discussed are presented below:

Abolition of manual settlement

In the first clearing house session, presentations and returns of nonmagnetic drafts are transferred. These are manual drafts that the banks transfer among each other, such as manual debits and credits, returns of manual debits and credits, and payments in respect of securities issuances, etc. Since manual settlement inevitably entails a high level of risk, a subcommittee was established in 2009 for the purpose of advancing the abolition of manual settlement and shifting to electronic settlement or to advanced and secure payment systems.

The subcommittee examined the types of transactions that are settled manually and ways of transferring them to electronic settlement. Chapter 3 of this Report —“Statistical Data and Analysis of Trends” — indicates that manual settlement activity has decreased considerably in recent years (from a total of approximately 217,000 transactions in 2011 to approximately 177,000 transactions in 2014). The Banks' Clearing House members will continue to take steps to reduce manual settlement until it is completely abolished. To this end, a decision was made to modify the settlement procedure for issuances of corporate securities, which are currently processed in the manual settlement session.

In the course of the Banks' Clearing House Committee's discussions in 2013, the committee's members agreed that the date for final preparation for the process of corporate securities issuance will be the same as the date for the complete abolition of manual settlement activity and the termination of the relevant clearing house session, in view of the fact that 90 percent of the value of debits in the manual settlement session stem from settlement of the proceeds of corporate securities issuances.

In 2012, a committee convened, headed by the Bank of Israel and the Israel Securities Authority (ISA), in conjunction with the Tel Aviv Stock Exchange (TASE) and the banks. The committee recommended promoting a reform in the settlement of corporate securities issuances. It also prepared a detailed plan to implement the reform, which is basically the establishment of a system that concentrates the transfers of information, funds, and securities among the entities involved in the process. It was recommended that the TASE be responsible for developing and maintaining the system, based on the infrastructure that currently is used by the Clearing House. It was decided that modifications to business procedures as well as regulatory and legal modifications would also be

required, in addition to system development. The committee's recommendations were presented to the management of the Bank of Israel (BOI), the management of the ISA and the management of the TASE, and the Payments and Settlement Council, and a "green light" was given to promote these recommendations, subject to the TASE's consent to develop the system. In late 2014, the TASE gave its consent in principle to develop the system.

Consequently, it was decided to promote the reform along the lines of the committee's recommendations. Implementation of the reform, which is scheduled to commence in the second half of 2015, is a lengthy process that requires preparations on part of numerous entities that are involved in the corporate securities issuances settlement process.

Review of the check truncation process

Check truncation implies a move from physical settlement to electronic settlement, by discontinuing the further processing of a check beyond the charging bank at which it is deposited and transmitting files of a check image to the bank at which it is presented for settlement. This method will increase the efficiency of check clearing and lead to significant cost savings. This method has three main advantages: First, it will obviate the need for transporting checks from the payee¹ bank at which they are deposited, to the drawee bank at which they are presented for settlement (and in reverse, in the event that a check is returned). Second, it obviates the need for storing checks in designated locations. Finally, since electronic settlement is faster than physical settlement, the time elapsing from presentation of the check for payment to crediting of the customer's account will be reduced, thereby making it possible to assure the certainty of the transaction within a shorter period of time. In addition, increased efficiency is also designed to satisfy a clear need to resolve a growing concern—the maintenance of check-sorting machines.

Truncation has been implemented in several countries in recent years, and those countries have enacted laws that regulate the banking system's role in the electronic check settlement process. The proposed Electronic Check Clearing Law is designed to regulate the rules governing the transition from physical settlement to electronic settlement of checks.

In the past year, the work of two relevant subcommittees has increased — the Committee for the Definition of Principles for Image-Based Work Processes and the Committee for the Establishment of a Communications Network between Settlement Participants for Transfer of Check Images.

The first subcommittee was charged with the formulation of guidelines that would serve as the basis for the work of the Clearing House members when the Check Truncation Law comes into effect. The committee recommended rules for presenting and returning checks, reconciliations, processing exceptional cases and errors, image quality and information security in respect of

¹ The payee bank is the bank where the account of the draft's beneficiary is administered.

photocopies. The committee also recommended milestones and schedules for the implementation of the project. The recommendations were referred to a discussion by the Banks' Clearing House Committee.

The second subcommittee is responsible for the establishment of a private communication network for encrypting and transferring files containing images of the checks. This subcommittee discusses the content of the files, the manner in which they are transferred, image quality and integrity, processing of errors and their transfer between banks, standard work procedures and procedures during emergencies, and various aspects of information security.

The final work paper of the Committee for the Establishment of a Communications Network was approved by the Clearing House Committee in the course of the year, and a decision was made on the type of communications network to be established. The work paper of the Committee for the Definition of Principles for Image-Based Work Processes² will be submitted for approval of the Clearing House Committee in early 2015.

To create the legal and regulatory support that enables the check truncation process, legislative steps to regulate the following issues have become necessary: (a) electronic check settlement without physical presentation; (b) regulation of the processing of checks returned unpaid; (c) regulation of the admissibility of digital checks in legal proceedings.

Box 1

Means of Payment Reform—The Committee to Examine Reducing the Use of Cash in Israel's Economy

Pursuant to a Government Resolution dated September 17, 2013, a committee headed by the Director General of the Prime Minister's Office, Adv. Harel Locker, was established to reduce the scope of unreported economic activity—the shadow economy—through the use of advanced, efficient means of payment (hereinafter, “the Committee”). Two sub-teams were appointed for the Committee: one is a team to establish cash payment norms, led by the head of the Israel Tax Authority and head of the Israel Money Laundering and Terror Financing Prohibition Authority; and the second is a team to develop a gradual outline for reducing the use of cash and encouraging the use of advanced electronic means of payment, led by Ms. Irit Mendelson, Director of the Accounting, Payment and Settlement Systems Department at the Bank of Israel.

² The document will contain technical instructions regarding check imaging and transfers of electronic files in place of manual drafts. Instructions will include rules for presenting and returning checks, reconciliations, processing exceptional cases and errors, image quality and information security.

In July, the committee published a final report including public comments, and on October 22, 2014, the government approved the committee's recommendations.

Work on the means of payment reform by the Committee to Examine Reducing the Use of Cash in Israel's Economy comprises three layers: (1) the use of cash has been recognized in Israel and around the world as a significant factor influencing the shadow economy. However, cash is a basic means of payment in the economy and is used by law abiding populations, who comprise a vast majority of the public. Therefore, the use of cash should be reduced but not abolished. (2) Check use in Israel is more extensive than in other countries, especially the use of endorsed checks, which potentially facilitates shadow economy activities. Therefore action should be taken to limit endorsements and introduce changes that reduce the risks entailed in check use. There is no intention to abolish the use of checks. (3) It has been proposed to reduce the use of cash and negotiable checks by promoting the use of advanced electronic means of payment, and expanding the use of (immediate) debit cards and identifiable stored-value (prepaid) cards.

The three layers are based on various recommendations.

Following are the Committee's main recommendations concerning the use of checks:

Limiting the endorsement of checks that are not marked "Pay to beneficiary only":

- Immediate term—number of endorsements on checks in amounts up to NIS 10,000 will not be limited; a single endorsement will be permitted for checks in amounts over NIS 10,000, provided that the endorsee writes his details on the back of the check.
- Long term—only one endorsement is permitted on checks in any amount, and only to the order of a financial entity for the purpose of receiving credit.

On January 4, 2015, the Reduced Cash Use Bill, 5775-2015, was published, and alongside it, the Electronic Check Clearing Bill, 5775-2015. Legislative work on this issue will continue in 2015.

In 2014, the Banks' Clearing House Committee commenced discussions on the implications and relevant issues emerging from the abovementioned legislation, in order to make preparations for implementing the recommendations.

Examining the procedure for settlement of payment vouchers

Due to the need to enhance the process used for settlement of payment vouchers, the Clearing House Committee, at its meeting on May 23, 2013, decided to establish a subcommittee to review the proposal submitted to the Clearing House Committee regarding discontinuance of the requirement for physical vouchers. The committee will present the advantages and disadvantages

of the proposal, analyze the existing settlement process, and suggest changes in the process. In the past year, the subcommittee presented its recommendation to the Clearing House Committee. The recommendation of the subcommittee is based on check truncation. The proposal is to apply a procedure similar to check truncation such that payment vouchers will stop at the payee bank (the bank at which the voucher is paid), and image files will be transferred to their respective drawee banks. The proposal is to discontinue transfer of physical vouchers to institutions, as per the current Clearing House Rules, and instead, the institutions will receive files of the credit records and image files only. Voucher images will be transferred to the institutions by the Kasafet (virtual vault) system and/or website, on their account page. It was proposed that in the first stage, the vouchers will stop at the central clearing house of each bank, and in the future, when preparations for check truncation have been completed, the vouchers will stop at bank branches (end-points). The subcommittee will continue its work in 2015. The subcommittee will identify all the issues that must be addressed before amending the work procedure, and will prepare a detailed work plan for completing work on this issue. This plan will be brought before the Banks' Clearing House Committee for approval.

Re-examination of reasons for return of checks

The reasons for returning checks are listed in Appendix 305 of the Clearing House Rules. The need to re-examine reasons for returning checks arose for several reasons: multiple reasons for returning checks currently exist, which occasionally leads to confusion regarding the most appropriate reason to apply in each situation (both for the banks that must select the most appropriate reason for returning a check, and for customers who must understand the circumstances in which a check is returned). Furthermore, a uniform procedure should be established for the entire banking system. Recent technological and regulatory changes related to checks (electronic settlement, mobile check deposit, etc.) require modifications to the reasons for returning checks. To study this issue, a work team was established to review the reasons for returning checks and Masav instructions, so as to add reasons that are now lacking and to cancel reasons that are not needed. This review is designed to simplify the procedure used by bank branches for determining a reason for returning a check, to create uniform handling of returned checks in all banks, and to examine the compatibility of the reasons for returning checks with the check truncation procedure. After a study of this issue is completed and recommendations for changes have been made, the team will submit its proposal to the Lawyers Committee and the Clearing House Committee for their approval.

Preparations for integrating Diamond Denominated Account Rules in the Banks' Clearing House Rules

Work procedures of bank branches that are used in interbank settlement services of accounts denominated in diamonds (called by their Hebrew acronym, HANY) include clearing of checks, bank transfer orders, and foreign currency payment orders (in USD). Until now, bank branches' procedures involving diamond denominated accounts proceeded according to accepted practices. In response to the Israel Antitrust Authority's demand to define inter-branch procedures in written arrangements, a provisional agreement was made between the six³ banks that have branches for diamond denominated accounts. This agreement was approved by the Israel Antitrust Authority and is in effect for 18 months (beginning in September 2013 and ending in March 2015). The Israel Antitrust Authority stipulated its approval on the condition that the agreement will be integrated into the Banks' Clearing House Rules before the end of the aforementioned period.

As part of the preparations for incorporating the diamond denominated accounts rules into the Banks' Clearing House rules, a work team was established, headed by the Bank of Israel and with the participation of the banks that have branches for diamond denominated accounts. The work team drafted a new chapter for the Banks' Clearing House Rules regarding settlement of Diamond Denominated Accounts, a uniform check standard was defined for Diamond Denominated Accounts, and procedures were defined for check transfers and interbank work procedures. These rules were approved in January 2015 and from this date onward they obligate the banks.

Settlement of Masav organizations is moved to consecutive business days in the event of a malfunction

In the Zahav system, Masav's second settlement window — the organizations' settlement slot — was set from 18:00 to 18:30 on long business days and from 13:30 to 14:00 on short business days (Fridays and holiday eves). If there are delays or malfunctions in Masav's interface with the banks with regard to obtaining approvals for the debits, a problem arises because it is difficult to extend this time window is limited, especially on short business days. It was thus decided that on short business days, on which Masav is unable to transfer the information on organizations' settlement to the Bank of Israel, the organizations' settlement in the Zahav system will be transferred to the next settlement date, and will be processed together with banks' settlement. In such cases, customers will continue to receive T-day value (even though settlement was on T+1). This procedure will be performed only when approval of the chairperson of the Clearing House Committee has been given in advance.

³ On May 12, 2014, of these six banks closed its branch in the Diamond Exchange complex and exited the agreement.

Return of standing payment orders

Last year, the Clearing House Committee discussed a proposal to amend Section D.1 of Chapter 217 of the Clearing House Rules, which concerns returning of standing payment orders. The proposed amendment determines that “the debit will be returned no later than three banking business days after the debit date,” and an additional three days would be added to returns made for technical reasons – a total of six days (in the situation prior to the amendment, debits could be returned within five days, and an additional five days for returns for technical reasons – a total of 10 days). The need for this amendment to the Clearing House Rules arose in response to the difficulties that banks encounter in implementing Section 15c(c) of the Proper Conduct of Banking Business Directive 415 “Procedures for Granting Housing Loans” (hereinafter, “the Directive”). According to the Directive, when a customer settles a housing loan by a cash payment or electronic transfer and presents confirmation of payment to a bank, the bank must provide confirmation that the loan has been discharged “no later than two business days from the date on which confirmation was presented.” However, in the event in which loan payments were made on or about a regular monthly payment date (through a standing payment order), banks customarily waited until the last payment became final — which was five business days, according to the situation that preceded the amendment and the Clearing House rules.

Reducing the permitted interval for returning standing orders was approved by the Clearing House Committee, and this step was designed to establish uniform conduct in the banking system, and creates common ground for both the banks and the customers regarding the finality of payments made by standing payment orders. The effective date of the amendment is April 1, 2015.

Extension of the Prohibition on Terror Funding and Money Laundering Order

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

To implement this requirement, the Banks' Clearing House Committee decided to establish a subcommittee to examine the implications of the requirement and recommend the necessary modifications to Masav records. This team convened several times in 2014 and will continue its work in 2015 as well.

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Main modifications made in the Banks' Clearing House Rules, appendices and standards:

Following are the modifications made to Clearing House Rules, appendices, and standards in 2014:

Modification	Updated rules	Date of modification
Appendix updated	Appendix 304 – bank branches whose weekly day of rest is not Saturday	May 1, 2014
Appointments of Clearing House Committee members extended from two to five years	Chapter 101 – Bylaws Section D – Clearing House Committee	December 25, 2014
A Clearing House member who is unable to attend sessions of exchanges of physical drafts (manual and electronic) yet wishes to transmit the data to the banks and to the Bank of Israel, must obtain by 20:00 the written approval of (1) the chairperson of the Clearing House Committee (2) all members of the Clearing House. Concurrently, the Clearing House member in question must issue a letter of indemnification to the banks. If the above approvals are not obtained, the Clearing House member's transmissions for that day will be in the amount of zero.	Chapter 204 – Management of the sessions and reconciliation in the Zahav system New section added following Section E – “Failure to attend exchange of physical drafts”	May 1, 2014
Clearing House Rules will be revised annually rather than after each resolution. Therefore, the meetings and resolutions regarding revisions of the rules will take place throughout the entire year, and resolutions will come into effect immediately upon adoption of a resolution or the date determined by the forum. A revised version of the rules shall be sent to members upon revision of the rules (as stated, once a year), subject to the provisions of Chapter 210 of the Clearing House rules.	Chapter 210 – Modifications to Clearing House Rules Section B – Publication of modifications	May 1, 2014
The following sentence was added following Section A2 of the Clearing House rules: “The provisions of subsections 1 and 2 above shall also apply in the event that the endorsement is made by imprinting a seal that appears to be of a corporation or a representative of a cooperative house or of a labor committee, even if no signature appears alongside it.	Chapter 214 – Endorsement of checks Section A	May 1, 2014
In the event of a malfunction in Masav or in Masav's interface with the banks, which continues after 15:00 on short business days (Fridays, holiday eves, etc.) organizations' settlement, performed in the Zahav system, will be transferred to the next settlement date, subject to approval of the Clearing House Committee.	Chapter 217 - Settlement through Masav Subsection added to Section 5 – settlement malfunctions	May 1, 2014
Debits can be returned no later than three banking business days after the charge date. Three additional days shall be added in respect of returns for technical reasons; a total of six days (in the previous situation, returns could be made within five days and an additional five days for returns for technical reasons; a total of 10 days).	Chapter 217 – Section D.1	Modification commences on April 1, 2015, and rules will be revised then.

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 twice in the course of the year and discussed the following matters:

1. Indemnification letters for missing documents in settlement of electronically settled magnetic drafts: The committee discussed the section of Clearing House Rules (Chapter 211) concerning electronically settled magnetic drafts, and a mismatch of electronically settled magnetic drafts. In the event of a mismatch, a letter of indemnity will only be issued at the request of the drawee bank, and the very existence of a report of missing checks will constitute an obligation on the part of the payee bank to submit a letter of indemnity. This issue was raised for re-examination by the Lawyers Committee, after which a proposal will be submitted to modify the formulation in the rules.

2. "Rolling" of checks: Cases exist where checks are returned in a manner that is not consistent with the Banks' Clearing House Rules, and they "roll" back and forth between the Banks' Clearing House members for an unlimited period. It was proposed to define rules to restrict the "rolling" of checks by setting an upper limit for the number of times a bank may present a check (after which the check will be stopped at the drawee bank), without detracting from that bank's right to refer the matter to the Clarifiers Panel or to a legal proceeding. A discussion of the matter continued in the past year as well and also addressed the banks' position that there is a problem to identify a second presentation when return is made manually.

The Lawyers Committee decided to recommend that this provision be in effect until the discontinuance of manual settlement. Until then, the wording of rules will be modified to require the drawee bank to attach a letter to the payee bank, informing the payee bank that the presentation is a second presentation.

3. Discussion on interbank settlement of checks deposited from mobile devices

4. Imprint of reason for return by the payee bank: Several questions regarding reasons for return were raised for discussion, and were referred to a special team for discussion.

5. Electronic Check Clearing Law – A discussion was held on the Electronic Check Clearing Law, attended by representatives of the Ministry of Justice and representatives of the Association of Banks in Israel. At the discussion, a review was presented of the progress on the legislative work on the law and anticipated future work.

c. 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 body's coordinator, his alternate and the list of clarifiers are presented in Appendix C.

In 2014, five cases were referred to the Clarifier's Panel. Three were resolved by the applicants, one was resolved following a dispute resolution procedure, and the fifth is still under discussion.

2. The Banks' Clearing House

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

a. Banks' Clearing House Committee

The Banks' Clearing House Committee has 14 members, half of them Bank of Israel representatives and half of them representatives of the banking system. They are appointed by the Governor of the Bank of Israel or a person authorized by the Governor (a list of members and their alternates is presented in Appendix A). The Committee convenes at least once a quarter or as necessary, to discuss emergent topics for discussion, including modifications to the Banks' Clearing House Rules. These rules are published on the Bank of Israel website and are revised on an ongoing basis.⁴ The committee publishes a report on its operations once a year.

b. Paper-based (Checks) Clearing House

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

Paper-based Clearing House members

The Paper-based Clearing House has 35 members⁵—the banking corporations in Israel, the Postal Bank and the Bank of Israel. Some of them operate in the clearing house directly, and the rest of them are represented by other participants. In the settlement of electronic drafts, eight banks have the status of direct participants and 27 the status of represented banks, 15 of which are banks in

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 As of December 31, 2014.

the territory of the Palestinian Authority. Twelve banks participate directly in the settlement of non-magnetic (manual) credits and debits, and 23 are represented there, 15 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 (Service to Customer) (Check Debiting and Crediting Date) Directives, 5752-1992. In addition, on Fridays and on the days preceding public holidays (except for the days preceding Purim, Independence Day, and Tisha B'Av), the Banks' Clearing House operates in order to facilitate the processing of drafts at the conclusion of the Sabbath or a public holiday. A list of the business days is published on the Bank of Israel website and is revised annually.

Operating features of the Paper-based Clearing House

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

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

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 the period when summer time is in force, the second session at the conclusion of the Sabbath or a public holiday takes place at midnight instead of 23:00.
- On the 15th of the month (or at the conclusion of a Sabbath or a public holiday falling on the 16th of the month), the second session is held at 02:00 (on the following morning).
- If the conclusion of the Sabbath or a public holiday falls on the 15th of the month, the second session on the 16th of the month will be postponed to 02:00 (on the following morning).
- When the intermediate days of Passover and Succoth 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.

c. Masav (Automated Clearing House)

NIS-denominated interbank transactions such as standing orders, salary payments, and tax payments that are not paper based are settled at Masav. The transactions are sent to Masav from the banks, the Postal Bank, Automated Banking Services (Shva), and the credit card companies that are permitted to send payment orders directly.

Two types of transactions are executed by Masav: Direct credits, which are payments deriving from organizations, mainly salaries, payments to suppliers, tax payments and other payments; as well as payments from banking corporations, which reflect the activities of the banks' customers. Direct debits are debits deriving from organizations (standing payment orders).

Masav participants

Masav has 36,805 active institutions⁶, including banks, the Postal Bank, government ministries and public institutions, as well as other clearing organizations such as credit card companies. All Masav participants are direct participants. Participants send payment orders to Masav in the course of each business day in batch files.

Features of Masav operations

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

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

On receipt of the files, Masav performs a pre-settlement (clearing) process — the mutual liabilities of the participant banks are calculated and the net file designated for final settlement in the Zahav system is generated. Before the final net amount is sent by Masav to the Zahav system, Masav sends the banks interim calculations that Masav makes from time to time in the course of each business day. This information enables the banks to make preparations in advance for the liquidity required for settlement in the Zahav system.

Employer codes in Masav

As of December 31, 2014, 2,866 employer codes were on file with Masav in the system for employers' deposits to provident funds and advanced training funds, compared with 2,587 active codes on December 31, 2013, an increase of 10.8 percent. These institutions transferred 23.7 million transactions in 2014, compared with 22.33 million transactions in 2013.

⁶ As of December 13, 2014.

⁷ In 2015, Clearing House Rules will be revised, and returns of debits will be permitted within three business days.

3. Statistical Data and Analysis of Trends

a. The Paper-based Clearing House

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

Table 1 indicates that the number of Paper-based Clearing House transactions declined by 2.3 percent in 2014, dropping to 117,824 thousand transactions (compared with 120,555 thousand in 2013), while the value settled by the Paper-based Clearing House rose by 0.7 percent from 2013, reaching NIS 940,894 million (compared with NIS 934,127 million in 2013). Since 2011, the number of checks has declined gradually, reflecting a total decline of 4.8 percent by end of 2014. In contrast, the total value of checks increased by about 7.1 percent from NIS 846 billion in 2011 to NIS 907 billion in 2014.

Table 1
Components of the Paper-based Clearing House, 2011 to 2014

	2011		2012		2013		2014		Change in 2014	
	Value (NIS m.)	Volume (th.)	Value	Volume						
Manual drafts ^{1,2}	30,388	217	27,793	250	31,985	189	34,030	177	6.4	-6.3
Debits	29,184	180	27,272	193	31,196	169	33,513	161	7.4	-4.7
Credits	1,204	37	521	57	789	20	517	16	-34.5	-20.0
Checks	846,489	123,551	860,245	121,899	902,142	120,366	906,864	117,647	0.5	-2.3
Presentations	804,944	119,726	814,208	118,143	850,519	116,699	854,322	114,129	0.4	-2.2
Returns	24,315	2,883	24,820	2,804	26,026	2,647	25,642	2,499	-1.5	-5.6
Collection vouchers ³	17,230	942	21,217	952	25,597	1,020	26,900	1,019	5.1	-0.1
Total	876,877	123,768	888,038	122,149	934,127	120,555	940,894	117,824	0.7	-2.3

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

² Debits and credits include presentations and returns.

³ Until November 12, 2010, collection vouchers were cleared through manual clearing. After that date, the process was integrated into electronic clearing, in a separate session (clearing session 151).

SOURCE: Paper-based Clearing House.

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

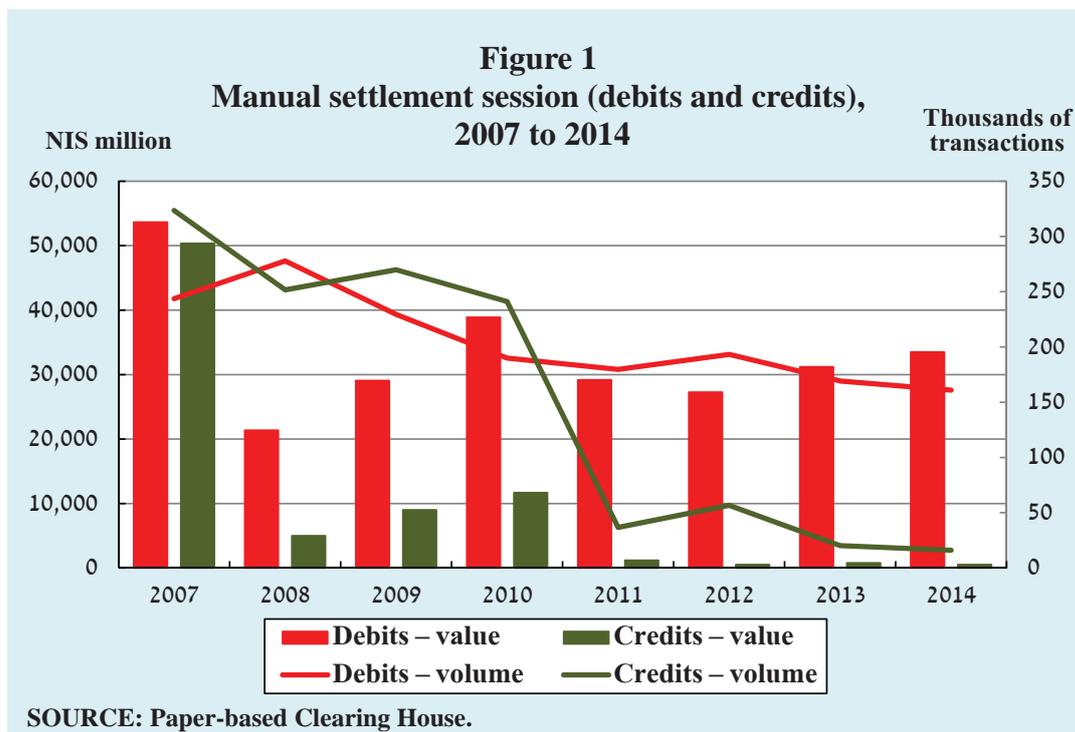
An uptrend was also recorded in recent years in the average amount per check, from approximately NIS 6,851 in 2011 to NIS 7,708 in 2014—a significant 43 percent increase. The average value of check-based transactions indicates that checks are commonly accepted in Israel's business sector as a means of payment involving large amounts. Checks are used, *inter alia*, for business transactions and tax payments. Check returns, by value, accounted for approximately 3 percent of the total amount, unchanged from the previous year.

Table 2
Presentations and returns of checks and presentations of collection vouchers at the Paper-based Clearing House, 2014

Period	Check presentations		Checks returned		Collection vouchers		Total electronic settlement		Percent of returns	
	Volume (th.)	Value (NIS m.)	Volume (th.)	Value (NIS m.)	Volume (th.)	Value (NIS m.)	Volume (th.)	Value (NIS m.)	Volume	Value
January	10,112	78,473	229	2,256	108	2,482	10,449	83,211	2.26	2.87
February	8,591	66,306	195	1,958	78	2,158	8,864	70,423	2.27	2.95
March	10,077	72,302	214	2,095	85	2,176	10,376	76,574	2.12	2.90
April	8,891	66,793	203	1,986	73	1,997	9,167	70,776	2.28	2.97
May	9,744	72,462	209	2,058	84	2,226	10,037	76,746	2.14	2.84
June	9,295	68,161	201	2,048	74	1,969	9,570	72,177	2.16	3.00
July	10,130	76,451	212	2,146	87	2,428	10,429	81,025	2.09	2.81
August	8,493	68,021	197	2,438	81	2,196	8,771	72,655	2.32	3.58
September	9,875	71,371	198	2,122	90	2,112	10,163	75,605	2.00	2.97
October	9,552	70,059	216	2,238	82	2,073	9,850	74,370	2.26	3.20
November	9,333	67,983	205	2,096	84	2,189	9,622	72,269	2.20	3.08
December	10,036	75,940	220	2,200	94	2,893	10,350	81,033	2.19	2.90
Total	114,129	854,322	2,499	25,641	1,020	26,899	117,648	906,864	2.19	3.00

SOURCE: Paper-based Clearing House.

Similar to recent years, the Bank of Israel also took action in 2014 to improve Israel's payments system. As part of these efforts, the Bank of Israel strove to reduce manual settlement (manual credits and debits) in the Paper-based Clearing House. Since approximately 90 percent of the total value of manual debits derive from the settlement of funds from the issuance of corporate securities, it became necessary to move this activity to electronic settlement. As a result, the total value of debits settled in the Paper-based Clearing House declined significantly. Furthermore, in November 2010, settlement of payment vouchers was moved from manual settlement to electronic settlement, as part of the efforts to abolish manual settlement. Figure 1 indicates the considerable change that occurred in recent years in manual settlement activities in the Paper-based Clearing House.



Beneficiary codes for use in payment vouchers

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

In 2014, the Bank of Israel issued, at the banks' request, 220 codes for magnetized payment vouchers, compared with 224 codes in 2013, of which 187 were codes for the private sector and 33 for local authorities.

b. Masav

Direct electronic payments (direct debits/credits) are payments that are performed by automated means, without manual intervention. The two systems that perform electronic payments in Israel are Zahav and Masav. The Zahav system performs 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 orders the bank to charge his account and credit the beneficiary. If the customer's account contains an adequate 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 credited party can return the payment within 2 business days from the date of execution. The majority of direct credits (salaries and pension payments and other payments) are initiated electronically, which considerably reduces the processing costs for each payment order for the customer, the bank, and for clearing house.

The volume of direct credits and the value credited by Masav has grown steadily in recent years. Direct credits totaled approximately NIS 2,066 billion in 2014, compared with NIS 1,997 billion in 2013 (an annual increase of 3.5%).

Direct debits: Direct debits in Israel are made only by Masav, and are initiated by the beneficiary

Table 3
Masav activity, 2014

Period	Volume (th.)	Value (NIS m.)	Average value per transaction (NIS)
January	26,446	207,661	7,852
February	26,777	194,668	7,270
March	26,962	219,209	8,130
April	27,473	199,545	7,263
May	26,444	199,129	7,530
June	27,229	208,799	7,668
July	27,324	217,552	7,962
August	27,324	211,079	7,725
September	27,378	212,735	7,770
October	27,061	201,033	7,429
November	27,286	201,616	7,389
December	28,299	239,964	8,480
Total	326,003	2,512,990	7,706

SOURCE: Masav.

through the bank that manages the beneficiary's account. The beneficiary's bank collects the funds from the bank that administers the account of the debited party, subject to the legal terms to which the debited party agreed. The primary type of direct debit in Israel is a standing payment order (payments to providers of services such as electricity, water and telephone): Payment is collected automatically every month, at the current value.

The volume and value of direct debits has grown in recent years. In 2014, direct debits totaled approximately NIS 440 billion, compared with approximately NIS 391 billion in 2013 (an annual increase of approximately 12.5 percent).

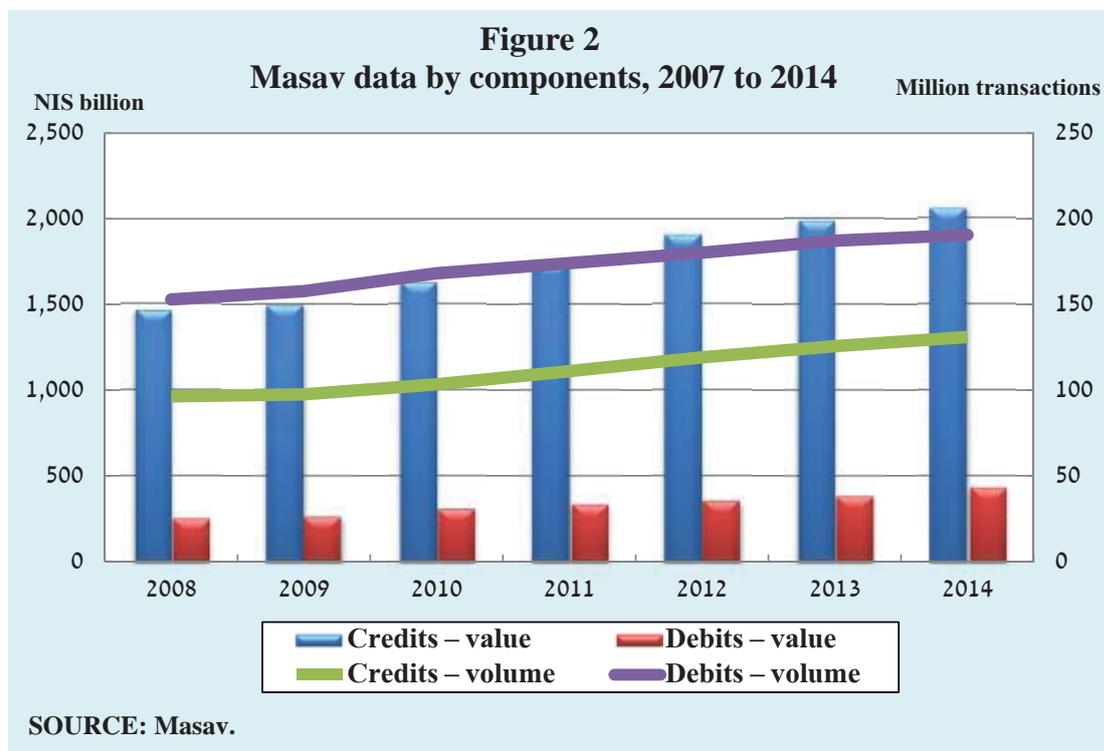


Table 4
Masav activities, 2014

Period	Credits				Debits			
	Credit presentations		Credit returns		Debit presentations		Debit returns	
	volume (th.)	value (NIS m.)	volume (th.)	value (NIS m.)	volume (th.)	value (NIS m.)	volume (th.)	value (NIS m.)
January	10,323	169,262	11	80	15,729	37,897	383	422
February	10,513	159,224	10	77	15,898	35,006	356	361
March	10,641	182,481	11	82	15,936	36,239	374	407
April	11,318	163,830	13	75	15,804	35,270	339	370
May	10,359	163,220	13	92	15,726	35,455	346	363
June	10,955	170,773	12	91	15,905	37,545	356	390
July	11,225	180,079	15	100	15,743	36,957	341	417
August	11,019	173,517	15	103	15,961	37,045	328	415
September	11,013	174,434	14	87	16,012	37,818	339	396
October	10,829	163,850	14	83	15,855	36,699	362	400
November	10,935	165,283	16	94	15,986	35,861	349	377
December	11,846	200,773	17	106	16,090	38,692	347	393
Total in 2014	130,976	2,066,726	161	1,070	190,645	440,484	4,220	4,711
Total in 2013	125,651	1,997,567	136	945	187,204	391,523	4,188	4,588
Year over year change in 2014	4.24	3.46	18.38	13.23	1.84	12.51	0.76	2.68

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, 2017¹

	Member	Alternate
<u>Bank of Israel representatives</u>		
Chairperson	Ronit Chitayate	Anat Shabat
	Regina Sabov	Helene Balouka
	Sasha Saposhnik	Ariel Sanua
	Tal Harel Matatyahu	Shaul Pearl
	Elad Yaakobi	Dror Nagar-Halevi
	Margalit Rokach	Yael Rashti ²
	Amitai Lapidot ³	Yafa Moshe
<u>Representatives of the banks</u>		
Israel Discount Bank Ltd.	Moshe Sinman	Yitzhak Contanta
Israel Postal Bank	Genya Habaz	Yitzhak Florentin
Bank Hapoalim B.M. ⁴	Zeev Hugi	Dror Kriegel
The First International Bank of Israel Ltd.	Dalia Lavon	Motti Shaul
Bank Leumi Le-Israel Ltd. ⁵	Eitan Dan	Yehoshua Levi
Mizrahi-Tefahot Bank Ltd.	Meir Nissim	Moshe Romi
Citibank Israel	Inbal Tatro	Assi Levy
Banks' Clearing House Secretary— Bank of Israel representative	Ori Altalat	

1. Representatives' terms were extended to five years,

2. Yael Rashti replaced Yoni Mor on November 11, 2014.

3. As of May 19, 2014, Amitai Lapidot serves as a Committee member on behalf of the Bank of Israel, in place of Ronen Shriki.

4. As of January 1, 2014, the member of the committee on behalf of Bank Hapoalim has been Zeev Hugi, and his alternate, Dror Kriegel.

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

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

Bank Code	Name of Bank	The representing bank in:		
		Settlement of non-magnetic drafts	Settlement of electronic drafts	Settlement via Masav
4	Bank Yahav for Government Employees Ltd.	Hapoalim	Hapoalim	Hapoalim
9	Israel Postal Bank	+	+	+
10	Bank Leumi 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	+
26	UBank Ltd.	First Int'l.	First Int'l.	First Int'l.
31	The First International Bank of Israel Ltd.	+	+	+
34	Arab Israel Bank Ltd.	Leumi	Leumi	Leumi
39	State Bank of India	+	Leumi	+
46	Bank Massad Ltd.	First Int'l.	First Int'l.	First Int'l.
52	Bank Poalei Agudat Israel 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 it self.

Appendix B (continued): Banks in the area of the Palestinian Authority that are members of the Banks' Clearing House and the network of representations

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

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	Gefen	Adv.
	Yehuda	Eliyahu	
Israel Discount Bank Ltd.	Keren	Shlushtain	Adv.
	Yaron	Bentov	Adv.
	Itzhak	Kontanta	
	Meir	Lindzen	
Israel Postal Bank	Yitzhak	Florentin	Adv.
	Boaz	Rozinsky	
Mizrahi-Tefahot Bank Ltd.	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	
UBank Ltd.	Gal	Steiger	

Appendix D: Major events in the past decade

Month and year	Event
July 2005	Accounting separation: value date T between customers and the banks, and value date T+1 between the banks themselves.
August 2005	Prohibition on Terrorism Financing Law goes into effect.
November 2005	Requirement for electronic settlement of checks becomes effective.
December 2005	Transmission of results of check settlement from the banks to the Bank of Israel begins.
February 2006	Extension of the business day until 18:30 , and change in settlement times accordingly.
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.
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.
September 2008	Revision of Banks' Clearing House regulations and their publication as "Banks' Clearing House Rules" on the Bank of Israel website. 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.

Annual Report of the Banks' Clearing House Committee, 2014

Month and year	Event
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).
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.
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.
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.
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 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.

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Month and year	Event
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.
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.
March 2010	Cessation of the representation of the Islamic Palestine Bank (Bank No. 81) at the Banks' Clearing House.
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).
August 2010	Translation of the Banks' Clearing House rules to English and publication of the translation on the Bank of Israel web site.
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 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.

Month and year	Event
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 has established.</p> <p>It should be noted that electronic settlement does not apply to government vouchers. The proceeds of these vouchers are transferred to the Bank of Israel or to the Postal Bank, and the charging bank sends the vouchers themselves directly to the government ministries (and not via the bank through which the proceeds are transferred to the government). Optical vouchers transferred between the banks were not to be settled electronically either. A solution for vouchers of this type will be devised as part of an overall solution for the issue of manual settlement.</p>
August 2011	<p>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 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>
July 2012	<p>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.</p>
November 2012	<p>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.</p>
November 2012	<p>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.</p>

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Month and year	Event
July 2013	Declaration of Masav and Automatic Banking Services (Shva) 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.
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 were required to prepare accordingly and to develop an alternative independent system, or to independently maintain the old system, until December 2013.
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.
October 2014	The recommendations of the Committee to Examine Reducing the Use of Cash in the Israeli Economy were approved by the government.
January 2015	A proposed Electronic Check Clearing Law, 5775-2015, was published.