

THE PAYMENT AND SETTLEMENT SYSTEMS—2006**1. INTRODUCTION**

Payment and settlement systems are an essential part of the economic and financial infrastructure in modern economies, and their efficient functioning contributes to the economies' development and financial stability. Insufficiently reliable payment and settlement systems expose their participants to risks, and transmit risks from one economic system to another; this could lead to the development of systemic risk, and hence possibly to a crisis in the economy as a whole. The growth in financial activity in many of the world's economies, as well as the growth in the volume of payments in the international capital markets, has underscored the importance of these systems. Central banks therefore work toward promoting the safety, reliability and efficiency of the payment and settlement systems, and take means to reduce the risks connected to settlement, particularly systemic, liquidity and credit risks.

The rapid technological changes in telecommunications and computerization since the beginning of the 1980s, which together with the process of globalization led to the growth in financial activity, led to the increased involvement of central banks in the payment and settlement systems. They have initiated reforms and have introduced changes in this area; Real Time Gross Settlement (RTGS) systems are operated in most countries directly by their central banks; and all the payment systems, even those operated by the private sector, are under the supervision and direction of the central bank.

Israel's payment and settlement systems are in advanced stages of their upgrade, and at the end of the process they will conform with the international standards set by the Bank for International Settlement (BIS). In order to meet the international standards incorporated in the BIS core principles, the Bank of Israel is effecting a far-reaching reform of the payment and settlement systems in Israel.

The reform of the payment and settlement systems covers a number of aspects, such as the abolition of retroactive entries, extending the banking business day, and improving the process of clearing checks. The highlight of the reform is the introduction of the RTGS system, to be known by its Hebrew acronym, Zahav. The Zahav system will enable large and urgent payments to be settled immediately and finally. The Zahav system will also serve as the final clearer for all the payment and settlement systems, and thus will also settle the net results of the existing clearing houses—the paper-based clearing house, the banks' automated clearing house (Masav) and the Tel Aviv Stock Exchange clearing house.

The Bank of Israel and two other commercial banks are preparing to become a member of the Continuous Linked Settlement (CLS) system in the first quarter of 2008, the international system for converting money from one currency to another. Additional reforms of the payment and settlement systems planned for the future include check truncation.

As part of the reform of the payment and settlement systems and in the run-up to the launch of the Zahav system, the Bank of Israel is working towards the organizational changes that will enable it to fulfill its revised role in the payment and settlement system. The planned structure in the area of payment and settlement systems in the Bank of Israel will cover three distinct functions: operating the Zahav system, supervising the payment systems, and setting policy for the payment and settlement systems.

2. THE CHANGES IN THE PAYMENT AND SETTLEMENT SYSTEMS

The main changes in the payment and settlement systems include the abolition of recording transactions with retroactive value dates, extending the banking business day, improving the process of check clearing, and the establishment of the Zahav system.

a. The abolition of transactions with a retroactive value

One of the principles implemented in the reform of the payment and settlement systems is that balances in banks must be final at all times. It will not be possible to make transactions with retroactive value dates, and thus no transactions with retroactive value dates in the banks' accounts at the Bank of Israel will be recorded. For years carrying out payment instructions with retroactive value dates was accepted practice in Israel, which meant that finality of payment on the date it was executed could not be achieved. This practice was abolished as part of the reform. Most of the reforms that led to the abolition of retroactive-value transactions were implemented by the end of 2005; manual messages which are still cleared by the paper-based clearing house did not switch to same day settlement until January 2007.

b. Change in the banking business day

The opening and closing times of the banking business day were changed, so that the day is now closer to the calendar day. The banking business day starts at 18:30 on Mondays through Thursdays, and ends at 18:30 the following day (instead of 15:00 as hitherto)—except for Fridays and holyday eves, when it ends at 14:00. The banking business day on Sundays starts at 14:00 on the previous Friday, and ends at 18:30 on Sunday. The need to extend the business day arose from, among other things, the requirement for the Zahav system to provide its services throughout the banking business day, so that transactions performed in the afternoon could also be cleared and final on the same day.

With the change in the banking business day, the Central Bureau of Statistics also changed the time of its publication of the CPI, and since March 2006 it publishes the index at 18:30 if the publication date is between Sunday and Thursday, and at 14:00

on Fridays. The Bank of Israel also publishes its monthly interest rate decision at the close of the banking business day.

c. Electronic clearing and check scanning

Since the end of 2005, all payment instruments and checks have been settled electronically, and magnetic-manual instruments have also been recorded in electronic files since January 2007. The banks receive the results of the clearing house's settling of the accounts in the course of the evening (by 23:00), and the actual settlement takes place in the Bank of Israel's central accounting system immediately thereafter. Under the Zahav system, the banks will be notified of the results of the clearing as at present, and the settlement will take place the next day. (See below).

Since February 2006 the banks have scanned all checks during sorting; exchange of the scanned images of the checks between the banks has been postponed to July 2007. From then the files as well as the checks themselves will be transferred between the banks. This represents an interim stage, until the introduction of check truncation, which will obviate the need to transfer the checks themselves, and will enable the rapid transmission of information between banks and branches.

d. Check truncation

Check imaging and the transfer of electronic files is an important step towards the introduction of check truncation in Israel. Under the system of check truncation banks rely on digital imaging, and the checks themselves will be retained in the banks in which they were deposited for only a short time (compared with seven years currently).

As in other countries, the introduction of check truncation requires amendment of existing legislation or the passing of specific legislation to enable banks to return scanned checks (images) instead of the actual checks. Due to the fact that only electronic files are transferred to the branches, in the case when a check is refused (e.g., because of insufficient funds) it is the electronic file that is returned, thus streamlining the procedure of check returns. Preparations for check truncation are being handled by joint committees of the Bank of Israel and the banks. So far agreement has been reached on a uniform check; discussions will be held with the appropriate legal professionals regarding the legislative aspect.

e. The Payment and Settlement Law

As part of the reform of the payment and settlement systems to meet the requirements of the BIS, the Bank of Israel drew up a Payments and Settlement Bill intended to provide a basis for the existence of a stable, reliable and efficient settlement system. The bill deals with various aspects of the payment system, such as defining the Bank of Israel's authority in the payment and settlement systems; setting the obligations of the operator of the payment system; determining the finality of the payments cleared in the clearing system; dealing with the situation of bankruptcy of a participant in the

system; the Bank of Israel's authority to gather information required from the operators of the payment system; and defining the authority of the Banking Supervision over Israel's payment and settlement systems.

f. International Bank Account Number (IBAN)

As the operation of the Zahav system draws closer, it was decided to adopt the European standard of the IBAN numbering system for all communication via the system, so that transfer of the payment to the payee's account should be direct, without any manual intervention, known as straight through processing (STP), with all bank account numbers having the same format. The IBAN number contains 23 alphanumeric digits (including leading zeroes): the uniform format bank account number consists of 13 digits, and the other ten digits give the number of the bank and branch, the country identification (IL for Israel) and two check digits set by a uniform system. Thus the IBAN gives a unique number for every bank account in the system. At this stage the uniform account number will serve only for direct transfers within the Zahav system, but in the future it will also be used in other payment systems.

3. THE LOCAL-CURRENCY CLEARING HOUSES

There are three inter-bank clearing houses operating in Israel, which pass net data to the banks' bookkeeping/accounting departments for purposes of debiting and crediting the banks. The total amount debited is offset against the total amount credited, and with the introduction of the Zahav system the credit or debit in each clearing house will be transferred at its set time, and will be final. The paper-based and Masav clearing houses transfer payments only, while the third clearing house, that of the Tel Aviv Stock Exchange, transfers payments against securities.

The execution of non-cash payments between individuals and companies can take place between those who have accounts either in the same bank or in different banks. It is to handle payments between banks that the clearing houses were set up.

a. The Banks' Paper-Based (Checks) Clearing House

The banks' clearing house operates according to an agreement between its members—the commercial banks in Israel, the Post Office Bank, and the Bank of Israel. Some members of the clearing house operate directly within the clearing house, and some are represented by other banks. Banks operating in areas under the Palestinian Authority are also members of the clearing house, but they are represented by two banking corporations in Israel. The banks' clearing house is managed by the fourteen-member clearing house committee, half from the Bank of Israel and half from the banking system. The banks' clearing house functions according to the Clearing House Regulations determined by the clearing house committee. The committee convenes

from time to time as required, and publishes an annual report on its activities.

Paper-based instruments presented in the clearing house by the banks consist mainly of checks, which are currently presented only electronically, and non-magnetic, i.e., manual, instruments transferred to the clearing house electronically. Returns of checks and manual instruments are also presented.

In 2006 about 12.4 million checks a month were presented in the clearing house, with a value of about NIS 59.2 billion. This does not include checks drawn on the bank in which they were deposited. The average total number of checks drawn per month was 13.6 million, with a value of NIS 73.8 billion.¹ In other words, 91 percent of the checks drawn were deposited in banks other than those on which they were drawn, and thus were presented in the paper-based clearing house, and only 9 percent were deposited in the bank on which they were drawn, and thus were not presented in the clearing house.

Table 1
The Paper-Based Clearing House, by Type of Instrument, 2005 and 2006
(Instruments presented and returns, monthly average)

	2005		2006		Change in 2006	
	Value	Number	Value	Number	Value	Number
	NIS million	thousands	NIS million	thousands	percent	
Manual instruments	8,873	97	8,234	68	-7.2	-29.5
Checks	53,915	12,192	59,189	12,429	9.8	1.9
Returns	1,833	325	1,854	314	1.1	-3.4
Total	64,621	12,614	69,277	12,811	7.2	1.6

SOURCE: State Loans Administration, Clearing Section.

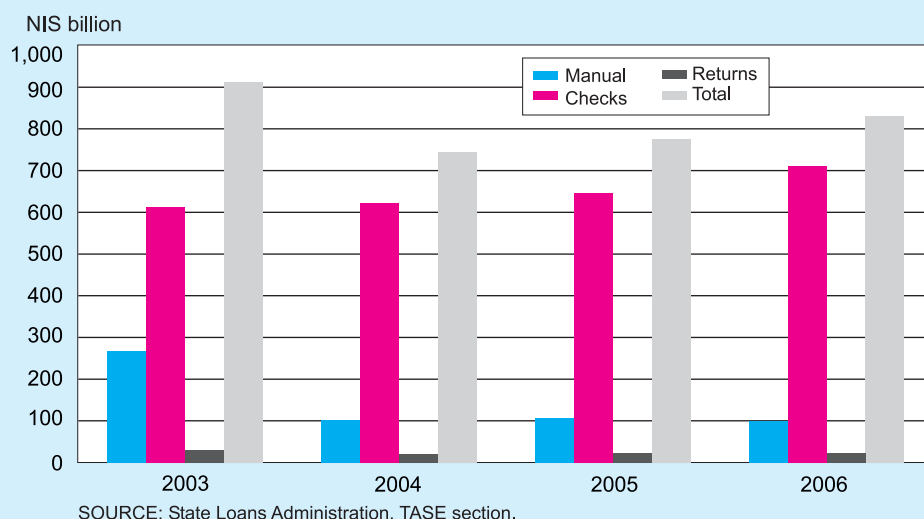
The paper-based clearing house clears mainly checks presented electronically by the banks. In addition manual debits and credits are presented, constituting about 8 percent of the instruments presented, and returns of checks and manual instruments, which make up less than 3 percent of the total number of instruments presented in the paper-based clearing house.

Many attempts were made in the past to transfer all manual instruments to the Masav, the Automated Clearing House, but till now some have remained in the paper-based clearing house, although their share in the total number of instruments is declining constantly.

In 2003 instruments cleared in the paper-base clearing house totaled more than NIS 900 billion. In 2004 there was a reduction of about 18 percent, mainly because about two-thirds of the manual instruments were transferred to the Masav. Since 2004 there have been small changes in the sum of the instruments presented, and the total has been rising, till 2006, by about 6 percent a year.

¹ Bank of Israel, The Supervisor of Banks, Annual Information on the Banking Corporations, 2006.

Figure 1
Clearances by the Paper-Based Clearing House, by Instruments, 2003-06



b. The Automated Clearing House–ACH (Masav)

The automated clearing house (Masav) settles all inter-bank automatic transactions that are not checks or cash, as well as all automatic payments instructed by the bank on which they were drawn. Some of the movements are transmitted directly to the Masav by non-bank institutions, and some directly by the banks. In 2006 the value of transactions cleared by the Masav totaled NIS 460 billion per month; about 80 percent of this sum was in the context of inter-bank credits, and the rest were debits and credits of non-bank institutions; in contrast, the number of debits and credits sent to the Masav by non-bank institutions constituted the bulk of such movements, and only

Table 2
Transactions in the Banks' Automated Clearing House (Masav)
 (Monthly average)

	2005		2006		Increase	
	Value	Transactions	Value	Transactions	Value	Transactions
	NIS million	thousand	NIS million	thousand	NIS million	thousand
Credits	339,922	7,034	453,054	7,399	33.3	5.2
<i>of which: Interbank</i>	282,050	346	386,435	483	37.0	39.3
Debits	16,489	11,370	17,895	11,750	8.5	3.3
Total	356,411	18,404	470,949	19,149	32.1	4.1

SOURCE: Masav.

2.5 percent were transferred directly by the banks. In 2006 the value of transactions cleared by the Masav rose by 28 percent, compared with a rise of only 2.6 percent in those handled by the paper-based clearing house. The number of movements in the Masav, on the other hand, increased slowly (by less than 4 percent), while the number of checks cleared by the paper-based clearing house actually declined by 3 percent from the 2005 level.

c. The TASE (Tel Aviv Stock Exchange) Clearing House

The TASE clearing house clears transactions related to all securities and provides other services such as interest and dividend payments and bond redemptions. In addition, payments made in the Maof (options and derivatives) clearing house for the purchase and expiry of derivatives.

The clearing house clears the securities on the day of the trade (t), but the clearing is conditional until receipt of the results of the final settlement, which takes place on the next business day ($t+1$). In 2006 the TASE changed its procedures regarding government bonds (apart from makam—short-term unindexed shekel bills issued by the Bank of Israel), so that both clearing of the security and the financial settlement take place on day $t+1$. The simultaneous transfer of the security and payment, i.e., delivery versus payment (DVP), will only take place when the Zahav system becomes operational. As long as clearing takes place under the current conditions, postponement of the payment reduces the time gap between clearance of the security and financial settlement but does not completely eliminate it, because the payment is transferred at the end of the business day, whereas the trade can be made during the day. In the second quarter of 2007 makam were also switched to the above system of transfer and payment taking place on day $t+1$, and the plan id for shares to move over in 2008.

As part of the reform in the government bond market, the clearing house began operating the pan-European MTS computerized trading system with main market makers appointed by the Ministry of Finance. The clearing house operates the lending pool via which the Ministry of Finance lends government bonds to the market makers.

Table 3
Turnover in Securities, 2003–06
(NIS billion)

	Shares and convertibles	Bonds			<i>Makam</i>	Total
		Government	Other	Total		
2003	90.3	170.6	6.7	177.3	119.9	387.5
2004	159.9	216.4	16.3	232.7	152.6	545.2
2005	245.4	275.1	53.1	328.2	165.6	739.2
2006	360.3	356.0	68.1	424.1	197.5	981.9
Increase in 2006 (%)	46.8	29.4	28.2	29.2	19.3	32.8

As a result of the change in the clearing process, the time lag between the transfer of the security and receipt of the payment is reduced, and so is the potential of a clearing failure arising from a failure of one of the sides to meet its commitments. The operation of DVP (when Zahav is also operational) will totally eliminate clearing failure, because against every financial transaction will stand a simultaneous security transaction.

The TASE clearing house will also operate an intraday credit system (ICS) for handling collateral which will be held in lien by the Bank of Israel against intraday credit granted to participants in the system (see below).

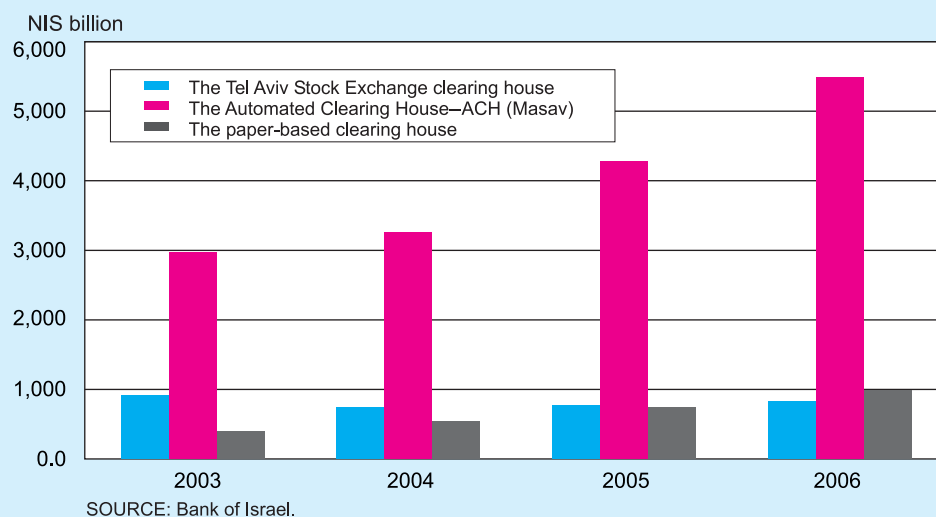
d. Clearing-house summary

In addition to the three clearing houses that operated in 2006, in the course of 2007 the Zahav (RTGS) system will start operating for clearing large and urgent payments, so that the composition of inter-bank payments in 2007 will be different from that in 2006. In the last few years the Masav handled about three-quarters of the total sum settled, with the balance handled by the paper-based and TASE clearing houses. These shares changed only slightly: the share of the Masav increased by about 4 percentage points between 2004 and 2006, that of the TASE clearing house rose by 1.5 percentage points, while that of the paper-based clearing house declined by 5.5 percentage points.

Table 4
Clearing Houses Summary, 2004–06
(NIS million, annual data)

	Paper-based clearing house	Masav	TASE	Total
2004	745,250	3,250,455	545,200	4,540,905
2005	775,396	4,276,925	739,200	5,791,521
2006	795,418	5,651,396	981,900	7,428,713
Increase in 2005 (%)	4.0	31.6	35.6	27.5
Increase in 2006 (%)	2.6	32.1	32.8	28.3

Figure 2
Total Clearances, by Clearing House, 2003-06



4. THE ZAHAV (RTGS) SYSTEM

The Zahav system for intraday real time final payments is scheduled to be launched in the third quarter of 2007.

The purpose of this system is to minimize and to eliminate the various risks in payment and settlement systems, such as systemic risk, clearing risk, and credit risk. The system clears banks' payments immediately and finally, so that at any point in time each participant's² balance in the system will be final. The accounts in the system will consist of a participant's current (checking) account in the Bank of Israel and his intraday credit account. The planning of the system and its operating method are based on the core principles published by the Committee on Payment and Settlement Systems (CPSS) appointed by the Bank for International Settlement (BIS), principles which are intended to reduce the above risks.

Under the Zahav system the banks and the clearing houses will send payment instructions for clearance in the system. Departments in the Bank of Israel, such as the Monetary Department, will also send their credits and debits vis-à-vis the banks. A summary of the all transactions executed in the system during the day vis-à-vis each bank will be sent to the Bank of Israel's central accounting at the end of the day.

In the Zahav system, participants send instructions to debit their accounts and to credit the accounts of other participants. Once the payment instruction reaches the system, it undergoes various checks, and if the balance in the paying bank's account is sufficient to cover the payment instruction, the payment is carried out immediately

² In the first stage the participants in the system will be the commercial banks, the Post Office Bank, the clearing houses and the Bank of Israel. Other financial entities may join at a later stage.

and finally—the paying bank's account is debited, and the payee bank's account is credited. The Zahav system executes payment instructions in accordance with their time of arrival, on a First In First Out (FIFO) basis, and participants will have the option of determining an order of priorities for their payment instructions. This ability to set priorities will enable participants to arrange their payment instructions in accordance with their importance or urgency. If there is insufficient cover in the payer's account, the instructions will be arranged in a queue. The issuer of the instruction will be responsible for managing the queue, and the system will make available several instruments for that purpose: a) changing the order of priorities in the queue, b) maintaining a reserve for certain purposes, c) canceling payment instructions in the queue, and d) taking or increasing the intraday credit.

The intraday credit offered by the Bank of Israel to participants in the system is intended to avoid liquidity pressures on them. The credit is granted against full collateral, interest free, and must be repaid by the end of the day. During the day participants can manage the amount of intraday credit in their accounts by depositing or withdrawing collateral, as long as they have not utilized their secured credit limit. This collateral is managed in the TASE by means of the Intraday Credit System (ICS). The intraday credit is repaid at the end of the day, as stated: the collateral in the earmarked account will be returned to the participant, or will be converted into overnight credit. Overnight credit will be granted automatically, against collateral, to a bank that did not manage to repay its secured intraday credit, and it will bear interest in accordance with the monetary window (i.e., one percent above the Bank of Israel interest rate).

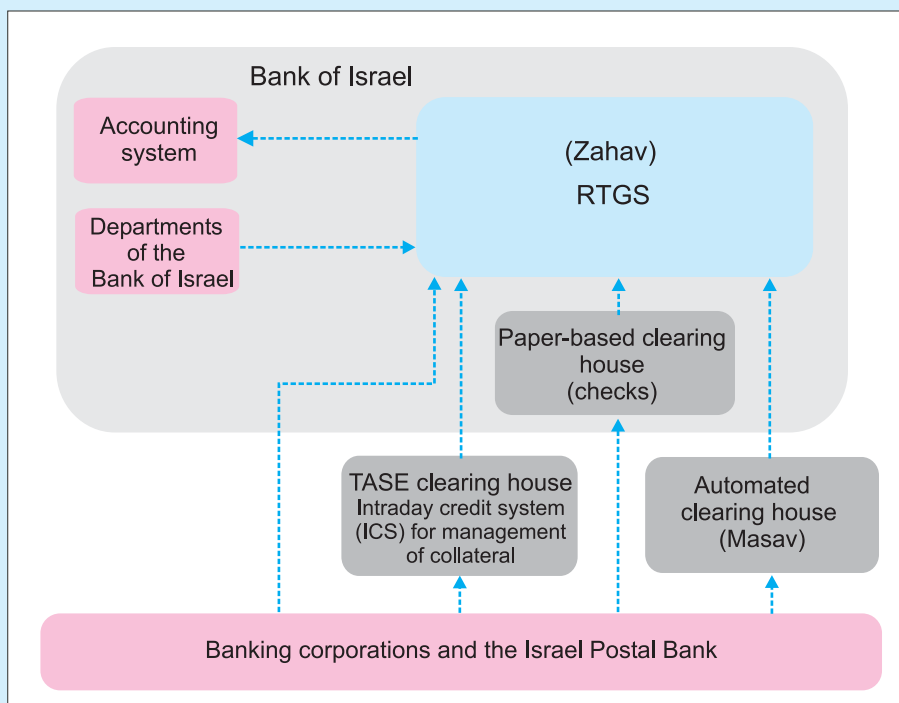
The RTGS system will also clear the results of the net (multilateral) payments of the other three clearing houses—Masav, TASE, and paper-based—at predetermined times.

The establishment of an RTGS-type system is a lengthy process that requires cooperation between many elements: the commercial banks, the clearing houses, the Post Office Bank, and the Bank of Israel. To handle the project, working teams were set up, with representatives of all these entities.

In addition, the Bank of Israel has a central steering committee monitoring the technological and business aspects of the system. Much of the technological development resulted from the directives/instructions of the National Information Security Authority of the National Security Council.

The launch of the new system is scheduled for the third quarter of 2007. As part of the preparations the Bank of Israel is taking steps to align the business environment with the norms generally accepted abroad, including the changes outlined in section 2 above.

Figure 3
Israel's Future Settlement System



SOURCE: Bank of Israel.

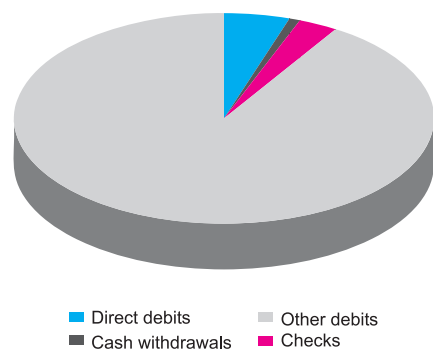
5. MEANS OF EXECUTING PAYMENTS

In 2006 the public's debits³ on current accounts totaled NIS 17,500 billion, some 15 percent more than in 2005. This marked increase, which far exceeded the growth in economic activity (GDP growth), was 21 percent less than the rise in 2005. Most of the debits are not categorized, and come under the item "Other debits," and these include the use of credit cards. The other debits item also incorporates business activities between a bank and its customers, such as the purchase of securities or foreign currency, and fees. The remaining debits consist of cash withdrawals from banks or ATMs, checks, and direct debits.

The composition of the value of debits is very different from the composition of the number of debits: the value of "other debits" accounts for about 90 percent of all the public's debits, they account for only 40 percent of the number of its debit transactions.

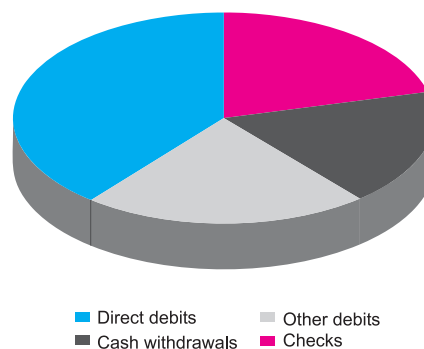
³ Checks, cash withdrawals, direct debits and "other debits."

Figure 4
Debits (by Value) against the Public's Current Accounts, by Type of Debit, 2006



SOURCE: Banking Supervision Department.

Figure 5
The Number of Debits against the Public's Current Accounts, by Type of Debit, 2006



SOURCE: Banking Supervision Department.

Table 5
Debits on the Public's Current Accounts, 2004–06

	2004	2005	2006	Increase (percent)	
		NIS billion		2005	2006
Total debits	12,483	15,160	17,467	21.4	15.2
Checks	787	821	886	4.3	7.9
Total cash	115	137	143	19.1	4.4
Direct debits	421	471	527	11.9	11.9
Other debits	11,160	13,731	15,911	23.0	15.9

SOURCE: Banking Supervision Department, Bank of Israel.

a. Drawing checks

The amount of money paid in 2006 by means of checks totaled NIS 886 billion, an increase of 8 percent from the value of checks drawn in 2005. It should be borne in mind that this covers all checks drawn, even those that were deposited in the banks on which they were drawn and did not pass through a clearing house. The paper-based clearing house cleared checks valued at an average of NIS 59 billion per month, NIS 708 in the whole of 2006. In other words about 80 percent of the value of all checks drawn was cleared in the clearing house, and the rest were deposited in the banks on which they were drawn.

The share of checks in the total value of the public's debits has declined in the last few years, from 8.3 percent in 2000 to only 5.1 percent in 2006. Part of the decline may be attributable to the switch to the use of credit cards instead of checks. Nevertheless, despite the reduced use of checks in 2006, the value of checks drawn was 8 percent higher than in 2005, twice the rate of increase from 2004 to 2005. that occurred in

the previous years. The number of checks did not change significantly; the average amount per check thus increased, from NIS 5000 in 2005, to NIS 5,400 in 2006.

Table 6
The Use of Checks, 2000–06
(Annual)

	Value of checks	Total debits	Share of debits by check
	NIS billion		percent
2000	821	9,835	8.3
2001	798	11,428	7.0
2002	807	11,961	6.7
2003	769	11,544	6.7
2004	787	12,483	6.3
2005	821	15,160	5.4
2006	886	17,467	5.1

SOURCE: Banking Supervision Department, Bank of Israel.

b. Cash withdrawals

In 2006 about NIS 143 billion was withdrawn in cash—4.5 percent more than in 2004; the rise from 2004 to 2005 was 19 percent. This rise in 2006 was similar to the increase in the amount of cash in circulation. According the Bank of Israel balance sheet, the amount of cash in circulation at the end of 2006 was NIS 25.5 billion, up from NIS 24.4 billion at the end of 2005, a rise of 4.5 percent. In 2005 too the rates of increase were similar: cash held by the public rose by 17.4 percent, and cash withdrawals were 19.1 percent higher than in 2004.

Table 7
Cash Withdrawals, 2000–06

	Amount	Annual increase	Share withdrawn from ATMs	Share withdrawn via bank tellers
	NIS million	percent	percent	percent
2000	106,611		30.7	69.3
2001	107,271	0.6	33.6	66.4
2002	113,409	5.7	34.4	65.6
2003	111,166	-2.0	36.3	63.7
2004	115,079	3.5	36.4	63.6
2005	137,011	19.1	32.1	67.9
2006	143,113	4.5	35.3	64.7

SOURCE: Banking Supervision Department, Bank of Israel.

Most cash withdrawals (by number) were from ATMs, and only about 13 percent from bank tellers. Since the maximum withdrawal from an ATM is relatively small, the amount of cash withdrawn over the counter in banks was again the greater part of the total amount withdrawn, and only about a third was from ATMs.

c. Direct debits

Direct debits totaled NIS 527 billion in 2006. This consists of direct debits by various institutions such as municipalities and insurance companies (payments to credit card companies are included in “Other debits”). Total direct debits were 12 percent higher than the amount in 2005, a rise similar to that from 2004 to 2005.

d. Other debits

About 90 percent of all debits on the public’s current accounts are not categorized, and come under the item “Other debits.” These are standing orders by customers to pay certain sums to third parties, and debits arising from business transactions between the customer and the bank. The increase in other debits in 2006 was similar to that in total debits, about 16 percent, a smaller rise than that of 23 percent from 2004 to 2005.

As stated, most other debits relate to transactions between banks and their customers, so that their sum is very high. Debits from the use of credit cards is included in other debits, and their share in the total of this item is low.

e. Debits via credit cards

Credit card debits totaled NIS 123 billion in 2006, a rise of 9 percent from the amount in 2005, slightly below the increase in that year. The rate of increase has remained fairly constant in the last few years, at about 10 percent a year.

Although the sum of debits from purchases via credit cards is lower than that deriving from purchases via checks, the number of credit card transactions exceeds transactions by checks. The number of credit card transactions in 2006 (including cash withdrawals) was 515 million, 3.2 times greater than the number of checks drawn, but as the average amount of a credit card purchase is lower than the average by check, the total value of credit card purchases was only about 14 percent of the value of purchases by checks. While the average payment per check was about NIS 5,400, the average by credit card was only NIS 240.

The data in Table 8 relate only to shekel transactions, including cash withdrawals. Transactions via credit cards issued by Israeli companies include purchases and cash withdrawals in foreign currency. Foreign currency withdrawals and purchases, mostly performed abroad, were less than 5 percent of total purchases in Israel, similar to the amount in 2005.

The means of payment used by the public consist mainly of cash, checks and credit cards. These totaled NIS 1,153 billion in 2006, of which 77 percent were payments by check, 12 percent by cash, and a similar amount by credit card.

Table 8
The Use of Credit Cards and Checks, 2002-06

	Credit cards			Checks		
	Number of transactions	Value of transactions	Average transaction	Number of checks	Value of checks	Average check
	thousands	NIS million	NIS	thousands	NIS million	NIS
2002	364,191	84,473	232	177,416	807,008	4,549
2003	391,922	90,831	229	170,642	768,622	4,504
2004	429,595	100,355	231	166,076	786,667	4,737
2005	468,451	110,573	234	164,179	820,666	4,999
2006	514,693	122,544	236	162,997	886,467	5,439

SOURCE: Banking Supervision Department, Bank of Israel.

Figure 6
Total Transactions, by Means of Payment, 2002-06

