



Directive 9—Communication Procedures and Standards for a Controlled Payment System and a Designated Controlled Payment System

1. Introduction

In accordance with Section 8 of the Payment Systems Law, 5768-2008 (hereinafter: “the Payment Systems Law”), an operator of a controlled payment system shall formulate rules that will ensure the stability, efficiency, and sound functioning of the system.

In accordance with Principle 22 of the Principles for Financial Market Infrastructures (PFMI), published in 2012 by the Committee on Payment and Settlement Systems of the BIS (CPSS) and the International Organization of Securities Commissions (IOSCO), a financial-service infrastructure should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient clearing and settlement.

This Directive defines the rules and procedures that a payment-system operator shall establish in order to comply with internationally accepted communication procedures and standards.

2. Definitions

“Payment system” “controlled system,” “designated controlled system,” “payment-system operator”-	As defined in the Payment Systems Law;
“Payment-system operator” or “system operator”-	Operator of a controlled payment system or a designated controlled payment system;



“Payment Systems Oversight” or “Oversight”-	The oversight unit for payment systems at the Payment and Settlement Systems Division of the Bank of Israel;
“Participant in a payment system”-	One who is defined as a participant under the system rules;
“System rules”-	The rules by which the payment system operates;
“Internationally accepted communication procedures and standards”-	Internationally accepted specifications for application in the field of communication;
“Cross-border system”-	A payment system that settles transactions processed by means of several payment systems or one payment system that provides services in several different jurisdictions;
“International Organization for Standardization” (ISO)-	An international agency that develops and promulgates international industrial and commercial standards.

3. Incidence

3.1 This Directive shall apply to the operator of every payment system that the Governor has declared a controlled payment system or a designated controlled payment system.



- 3.2 The Bank of Israel may, as circumstances shall indicate, absolve or exempt a payment-system operator from the incidence of certain sections of this Directive and may rescind said exemption.

4. Communication standards and procedures

- 4.1 A payment-system operator shall invoke communication procedures and standards that are consonant with the nature of the activity of the system and impair neither its stability nor its efficiency nor its sound functioning.
- 4.2 The payment-system operator shall use, or at a minimum accommodate, internationally accepted communication procedures and standards to facilitate effective communication between the payment system and its participants, their customers, and others that interface with the payment system (e.g., service providers and other payment systems).
- 4.3 Insofar as the payment-system operator chooses not to use internationally accepted communication standards, she or he shall support systems that translate or convert the data from the international standards into corresponding domestic standards and vice versa, to the extent necessary.
- 4.4 The system operator shall perform an examination for compliance of the payment system with the international procedures and standards at least once per year or after any material revision of the international procedures and standards.
- 4.5 The operator of a cross-border payment system shall consider, in addition to the foregoing, adopting relevant procedures and standards disseminated by the International Organization for Standardization (ISO).

5. Information reported and frequency of reportage

- 5.1 A payment-system operator shall present Oversight with a condensed report on all communication procedures and standards that the system is using at the time this Directive goes into effect.



- 5.2 The payment-system operator shall note, alongside each communication procedures and standard, whether it is an internally accepted procedure/standard and whether the payment system applies it in full.
- 5.3 The payment-system operator shall note, alongside each communication standard that is not international, what the corresponding international standard is and whether the system supports the translation or conversion of the international standard into the domestic standard and vice-versa.
- 5.4 The payment-system operator shall report the aforesaid examination to Oversight within thirty calendar days of its approval by the relevant competent player.
- 5.5 Insofar as changes in reportage as set forth in Sections 5.1–5.4 above apply, the payment-system operator shall present Oversight with the reports, in a clean copy and a “Track Changes” copy, a month before they go into effect. Insofar as the system needs adjustments due to said revisions, said report shall include the requisite adjustments and relevant schedules for their implementation.

6. Forwarding information to the Bank of Israel

- 6.1 A payment-system operator shall forward the information under this Directive by means of secured communication (the Kasefet application). Said application shall be used after prior coordination with Oversight. Oversight may allow the information to be forwarded in other ways.
- 6.2 The information to be presented under this Directive shall be forwarded by the system operator to the contact persons whom Oversight shall appoint for this purpose.
- 6.3 A system operator who forwards information under this Directive shall ascertain receipt of the information by the contact persons referenced in Subsection 6.2 by telephone or by electronic mail from the contact person, confirming receipt of the information.
- 6.4 The information to be presented under this Directive shall be forwarded in the form of a digital document and not in handwriting.



- 6.5 A payment-system operator who sits within a Bank of Israel structure and makes use of Bank of Israel systems shall forward the information under this Directive by means of the internal electronic-mail system of the Bank of Israel.
- 6.6 Reportage shall be carried out in accordance with the deadlines established in this Directive. Insofar as a payment-system operator believes that a given report will not be presented by the specified deadline, he or she shall present Oversight, by electronic mail, with a written request to revise the deadline for the presentation of the report. Said request shall include, *inter alia*, the actions taken up to said request for revision, the reasons for requesting the revision, and the requested target date for the presentation of the report in question. A report presentation for which revision is not approved by Oversight shall be presented by the deadline established for said report.

8. Promulgation and update of Directive

Date of promulgation	Essence of update
April 25, 2018	Promulgation of directive

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