



Bank of Israel

Annual Reprt of the Activities  
Of the Clearing House Committee

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For the Year Ending December 31, 2010



Annual Report of the Activities of the Clearing House Committee for  
the Year Ending December 31, 2010

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## Annual Report of the Activities of the Clearing House Committee for the Year Ending December 31, 2010

In accordance with Part A, Chapter 101, Section E of the clearing house rules, we hereby present to the members of the banks clearing house a report on the activities of the Clearing House Committee for 2010.

The report refers to the period from January 1, 2010 to December 31, 2010.

### **A. General**

#### **1. The Clearing House Committee**

The banks clearing house (hereinafter: the clearing house) is administered by the Clearing House Committee, which consists of 14 members appointed by the Governor of the Bank of Israel or any person authorized by him. Half of the members are Bank of Israel employees, and half are employees of the banking system. All members of the clearing house operate according to the “clearing house rules”, which are determined by the Clearing House Committee. The clearing house rules are detailed and updated as necessary on the Bank of Israel web site.

The Clearing House Committee convenes as required and publishes an annual report on its activity. The principal function of the Clearing House Committee is to arrange the transfer of payment instruments and settlement instructions between the banks.

A list of members of the Clearing House Committee is presented in Appendix A to the report.

#### **2. The banks clearing house**

The banks clearing house consists of the paper-based clearing house, in which checks and manual drafts are settled, and the automated clearing house—the Interbank Clearing House (known by its Hebrew acronym Masav).

The clearing house operates under an agreement between its members—the banking corporations in Israel, the Israel Postal Bank and the Bank of Israel. Some members of the clearing house work directly with the clearing house, while others are represented in it by other banks. The banks operating in the Palestinian Authority are also members of the clearing house, and are represented by three Israeli banking corporations.

**2.a. The paper-based clearing house (checks)**—Most of the drafts presented by the banks in the paper-based clearing house are checks, which are now only presented electronically. Magnetic collection coupons and non-magnetic drafts (manual drafts) are also presented.

**2.b. The Interbank Clearing House (Masav)**—Masav is the body at which automated interbank movements that are not paper or cash are cleared. Non-banking institutions also transfer authorized credit and debit instructions to directly Masav.

Financial and quantitative data on the paper-based clearing house and Masav are presented in Chapter C below.

### 3. Members of the banks clearing house

As of December 31, 2010, the banks clearing house had 36 members.

- 3.a.** In the settlement of electronic drafts (hereinafter: “electronic settlement”), 8 banks have the status of direct participants and 27 the status of represented banks, 15 of which are banks in the area of the Palestinian Authority.
- 3.b.** Bank BNP Paribas is not a participant and is not represented in electronic settlement.
- 3.c.** thirteen banks participate directly in the settlement of non-magnetic drafts, and 23 are represented there, 15 of which are banks in the area of the Palestinian Authority.
- 3.d.** With the approval of the acting chairman of the Clearing House Committee, the representation of Palestine Islamic Bank was terminated on March 25, 2010.

A list of members of the clearing house and the network of representations is presented in Appendix B to the report.

### 4. Working days of the clearing house

- 4.a.** The Clearing House operates on every banking business day, as stipulated in the Banking Regulations (Service to Customer) (Check Debiting and Crediting Date), 1992.
- 4.b.** The clearing house does not operate on Fridays and the days preceding public holidays (except for the days preceding Purim, Independence Day, and Tisha Be’Av), but does operate in the evening at the conclusion of the Sabbath or a public holiday for the purpose of dealing with drafts.
- 4.c.** Drafts are transferred in two sessions: the first—presentation and return of non-magnetic drafts; and the second—electronic presentation and return of magnetic drafts (checks).
- 4.d.** Times of the sessions:

	Weekdays	Conclusion of Sabbath and Public Holidays
First session	22:30	22:30
Second session	01:00 (the following morning)	23:00

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Comments:

During the period in which summer time is in force, the second session on the conclusion of the Sabbath or a public holiday commences at midnight instead of 23:00.

On the 15th of the month (or at the conclusion of the Sabbath or a public holiday falling on the 16th of the month), and if the 15th of the month falls on the Sabbath or a public holiday, the second session is held at 2:00 on the following morning.

On the eve of Independence Day, the second session is held at 23:00.

## **B. Discussions of the Clearing House Committee in 2010**

The Clearing House Committee held three meetings in 2010.

The following were the major issues discussed in the meetings:

1. The Check Truncation Bill.
2. Check imaging.
3. Manual drafts.
4. Development of a new settlement system at the Bank of Israel.
5. The move to electronic settlement for collection vouchers.
6. Elimination of represented banks' settlement accounting in respect of manual settlement.
7. Representation of Bank Massad and Bank Otsar Hahayal by the First International Bank instead of Bank Hapoalim.
8. Backup track for the transfer of files from Masav to the banks and from the banks to Masav.
9. The addition of an IBAN code in the check batch in line with the integration of IBAN codes in Israel.

**The following decisions were made regarding the major issues discussed in the meetings:**

### **1. Check Truncation Bill**

A draft law, the Electronic Settlement of Checks, 5768-2009 (known as the Check Truncation Law), was circulated to the banks two years ago, and consultations were held with the representatives of the banks. The significance of the bill is that the checks will remain in the hands of the presenting banks and will not be transferred to the paying banks. Instead, files

containing photographs of the checks will be sent to the paying banks. The photographs of the checks will be the binding drafts from the legal and business aspect.

The discussions on this matter took place at the steering committee dealing with check truncation, and not at the Clearing House Committee. A Clearing House Committee subcommittee was established for the purpose of determining principles for the preparation of the bill. See section 2 below for details. At present, no progress has been made in the process.

## **2. Check imaging**

Check imaging is the photographing of checks presented at the presenting bank and their transfer to the paying bank. Check imaging is intended to assist banks in their daily processing by shortening the time window resulting from the extension of the business day. For as long as the Check Truncation Law is not passed, imaging is not legally considered as a satisfactory substitute for a check.

The banks have made trial runs of sending photographs of checks between them, with the presenting bank required to submit to the paying bank a file containing check photographs in addition to the physical checks. For this purpose, all the banks have installed sophisticated systems for the high-quality photography of both the front and back of checks. The banks have also established a sophisticated telecommunications network for transferring check photograph files between them.

Due to the lack of progress in passing the Check Truncation Law, the subcommittee is not progressing in its activity either, and a final date for the application of check imaging has not yet been set.

## **3. Manual drafts**

In the first session of the clearing house, the presentations and the returns of non-magnetic drafts are transferred manually between the banks. These include manual debits and credits, returns of manual debits and credits, credits of collection vouchers, and payments in respect of issues of securities.

In 2009 and 2010 extensive consultations were held at the meetings of the Clearing House Committee for the purpose of reducing the amount of manual drafts, and a number of measures were taken in this respect. At its meeting of July 16, 2009, the Clearing House Committee decided to establish a subcommittee for expediting the elimination of manual settlement.

Set out below is the action that was taken in the past as part of the process of eliminating

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manual settlement:

- a. **Returns of credits**—On December 13, 2009 the banks commenced the settlement of returns of credits by means of a computer system, via Masav.
- b. **Crediting of provident funds**—The bank at which the employer's account is managed is required to execute the batch financial transfer to the provident fund via Masav, and the employer is required to submit to the provident fund a list on the basis of which the fund will credit its members.
- c. **Interest debits between the banks**—The debits must be executed in accordance with an authorized debit at Masav, or the debited bank should execute the transaction in the Zahav system—by debiting itself and crediting the bank that is to be credited.
- d. **Credits by means of collection vouchers**—move to electronic settlement in 2010, and the matter is being dealt with by a subcommittee (see Section 5 below).

The Clearing House Committee received the following recommendations from the subcommittee without yet having decided on how to implement them (including timetables):

- a. **Cash transfer**—Cases in which an occasional customer wishes to transfer cash to another bank. This action is not identified as a cash transfer, and some of the banks execute it by means of manual settlement. The proposed solution is to develop a computerized characterization at the banks and at Masav for executing transactions via Masav.
- b. **Clearing debits on the basis of banknotes**—Debits on the basis of banknotes are currently transferred between the banks as a manual debit in the clearing house. The proposed solution is that these debits will be executed via Masav by means of a transition account. This will necessitate the development of a special system for the purpose at each bank.
- c. **Manual debits and credits**—Two transition accounts will be opened at each bank, one for debits and the other for credits, to which these transactions will be transferred via Masav.

Matters currently under discussion:

Payments in respect of issues of securities: At present, payments in respect of issues of securities are executed by means of manual settlement at the paper-based clearing house. Involved are payments at very large amounts that account for the vast majority of manual settlement. In the past, it was proposed to examine the possibility of settlement being executed via the Stock Exchange Clearing House. By means of the stock exchange member representing him, the issue coordinator would execute off-floor transactions with the stock exchange members representing the buyers. The stock exchange members representing the buyers would approve

the transaction (in accordance with the instructions received from the buyers). The Stock Exchange Clearing House would issue the Zahav system an instruction to debit the account of the stock exchange members representing the buyers, and to credit the account of the stock exchange member representing the issue coordinator. As soon as the Zahav system confirms the execution of the cash settlement, the securities would be sent from the account of the coordinator bank (representing the issue coordinator) to the account of the banks representing the buyers. In October 2010, a negative reply was received from the stock exchange regarding the possibility that they would execute this form of settlement.

Other alternatives discussed at the Clearing House Committee's meetings: the banks' crediting of issue coordinators via Masav or the Zahav system (depending on the amount in question), debiting institutions and the banks at Masav by means of a special authorization and code, a debit via which would be non-returnable.

A decision was taken to establish a subcommittee chaired by Mrs. Ronit Chitat from the Bank of Israel in cooperation with representatives of the banks, for the purpose of formulating a solution for the settlement of payments in respect of issues of securities.

The subcommittee for manual settlement will convene again to formulate ways for implementing decisions that have been made, to determine the debit/credit date of the banks via Masav and the date for sending physical material between the banks. The estimated date for termination of manual settlement is the beginning of the third quarter of 2011.

#### **4. Development of new settlement system at the Bank of Israel**

The Bank of Israel presented to the members of the Clearing House Committee the new system that was developed at the bank in two models:

The first model—a system that is intended to enhance the work processes at the clearing house, to deal with routine and extraordinary emergencies, and to reduce risks in settlement. The new model will be offered for use at all of the banks. The advantages of the new system will also be reflected in the routine work of the representatives at the paper-based clearing house, and by the reduction of risks for all the system's users.

The second model is for use with an internet interface that will be accessible to all the banks by means of authorizations. Via this interface, it will be possible to update and observe clearing house announcements concerning for example, delays, changes in details of the banks' branches and non-Jewish holidays. The system will collate all the announcements of delays in presentations and returns, as well as all information on the opening and closure

of the banks' branches. The system will be coordinated by Mr. Talat Abulil from the Bank of Israel, and representatives from the Bank of Israel and the banks will participate in it.

## **5. Move to the electronic settlement of collection vouchers**

In line with the effort to eliminate manual settlement, in 2010 a subcommittee was established to study the move of collection voucher settlement from manual to electronic settlement. The principles prescribed by the subcommittee were approved by Clearing House Committee, and the move to electronic settlement was made on November 21, 2010.

Set out below are the principles established by the subcommittee concerning the settlement of collection vouchers:

- a. The collecting bank will prepare a daily file of magnetic collection vouchers that will be paid at it, and will send it to the coordinator bank by 22:30 on the payment date.
- b. The collecting bank will send a computerized report to the Bank of Israel by 22:25 on the payment date on the total amount of collection vouchers (number and amount) which it sent to the coordinator bank. The report will specify the banks that are represented.
- c. Physical collection coupons will be sent to the coordinating bank on the payment date in Session 2. Coupons not included in the daily report will not be sent, except for coupons that were reported on previous days and that were included in the shortfalls report.
- d. The coordinating bank will credit its customers on the basis of the daily collection voucher file received from the collecting bank.
- e. The coordinating bank will report to the collecting bank by means of a surpluses/shortfalls report in respect of the coupons that were received on a particular day. The surpluses report will contain a reference to the presentation date of the coupon (on which the report was reported as a missing coupon). The report will be issued on the next business day.
- f. In the event that a physical coupon is not received, the coordinating bank is entitled at its customer's request to ask the collecting bank for the original coupon or a photocopy of it (in the absence of the original).

Electronic settlement will not apply to coupons of the government. The proceeds of these coupons will be sent to the Bank of Israel or the Postal Bank, and the coupons themselves will be sent by the collecting bank directly to the government ministries concerned (and not through the bank via which the proceeds to the government are sent). Obviously, optical coupons sent between the banks will not be settled electronically. A solution for settlement of this type will

be provided as part of an overall solution for the issue of elimination of manual settlement.

#### **6. Abolition of settlement accounting for the represented banks in respect of manual settlement**

Settlement of the accounting between the representing banks and the represented banks with respect to manual settlement will be carried out at 9:30 in the morning, at the first window of the clearing house in the Zahav system. The Clearing House Committee decided to move to the alternative of settlement accounting for the represented banks in respect of manual settlement directly to the Zahav system and not via the settlement system, as follows:

- a. The representing bank transmits directly to the Zahav system the amounts of the credits to the benefit of its represented banks deriving from the accounting.
- b. The representing bank updates the represented bank with the amounts of the credits and debits deriving from the accounting.
- c. Concurrently, the represented bank transmits directly to the Zahav system the credits to the benefit of the representing bank deriving from the accounting in accordance with the calculation received from its representing bank.
- d. Transmission of credits to the Zahav system is carried out during the morning of the first business day after the settlement.
- e. Transmission of credits to the Zahav system will be by means of a new TTC code whose number is 617.

By September 5, 2010, all the representing banks except for Bank Leumi had moved to the said form of accounting management by direct crediting. Bank Leumi is requesting that a separation be made between its representing and represented banks in manual settlement in a manner similar to that with electronic settlement, in order to operate in accordance with the direct crediting alternative. A separation such as this requires a systemic change at all the banks, and the banks will have to examine this. The target date for implementation is April 2011.

#### **7. Representation of Bank "Massad" and Bank "Otsar Hahayal" by "First International" Bank instead of Bank "Hapoalim"**

Following the purchase of Bank Massad and Bank Otsar Hahayal by First International Bank, representation of those banks was transferred from Bank Hapoalim to First International Bank.

As decided at meetings of the Clearing House Committee, First International Bank

circulated to all the bank clearing houses a document collating the changes that were required in their arrangements with respect to manual settlement and electronic settlement. The change in the representation of Bank Massad went into effect on February 5, 2010. The change in the representation of Bank Otsar Hahayal went into effect on May 28, 2010.

The changes were made successfully on the prescribed dates.

#### **8. Backup track for file transfer from Masav to the banks and from the banks to Masav**

Masav sent all the banks a specification detailing the backup for the files that are sent to Masav and which are received from Masav by CD or DOC.

During 2010 the banks conducted trials with Masav concerning the backup of files from them to Masav, and from Masav to them. All the trials were conducted successfully.

#### **9. Addition of information on IBAN number on the check batch as part of the integration of the use of IBAN codes in Israel**

The Payments and Settlement Council decided to increase the awareness of the IBAN international standard for the identification of bank accounts.

A proposal was raised to introduce the IBAN number to the check batch and to enter into the Bank of Israel web site a simulator for calculating this number. Clearing House Committee members are due to respond to the proposal concerning the addition of the IBAN number of the check batch at the committee's first meeting in 2011.

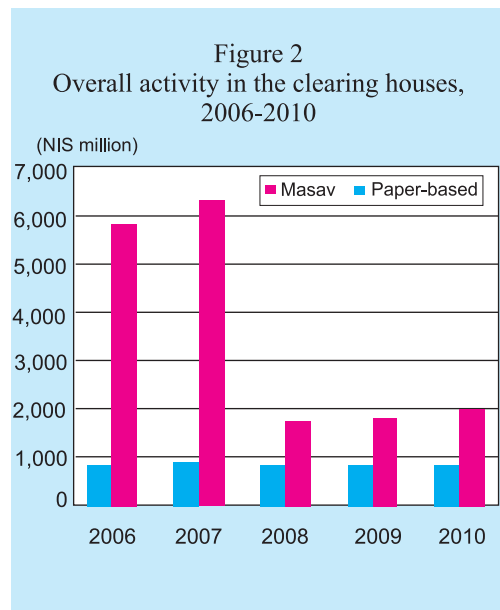
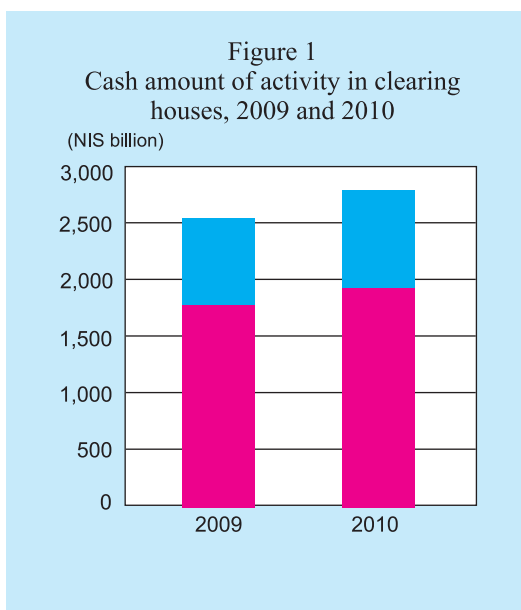
The Bank of Israel decided to publish on its web site a simulator for calculating the IBAN number, and this is included in the work program for 2011.

### **C. The Banks Clearing House—Financial and Quantitative Data for 2010**

As stated, the banks clearing house is comprised of the paper-based clearing house (checks) and the automated clearing house (Masav). This report reviews the period from January 1, 2010 to December 31, 2010.

Table 1: Financial summary of the activities of the clearing houses,  
2009 and 2010

	2009	2010	Percentage change in 2010
Paper-based	787,922	857,061	8.8
Masav	1,779,390	1,957,558	10.0
<b>Total</b>	<b>2,567,312</b>	<b>2,814,619</b>	<b>9.6</b>



In 2010 the activity of Masav increased by 10 percent, from NIS 1,779 billion to NIS 1,957 billion. The activity of the paper-based clearing house also increased, by 9 percent from NIS 788 billion to NIS 857 billion.

In 2008 the amounts transferred via Masav decreased considerably compared with previous years due to the operation of a new payments system—the Zahav RTGS system in July 2007, and the implementation of Bank of Israel directives whereby a cash instruction exceeding NIS 3 million is to be settled via the Zahav system and not via Masav. The level of activity at Masav during 2009–2010 remained at a level similar to that in 2008.

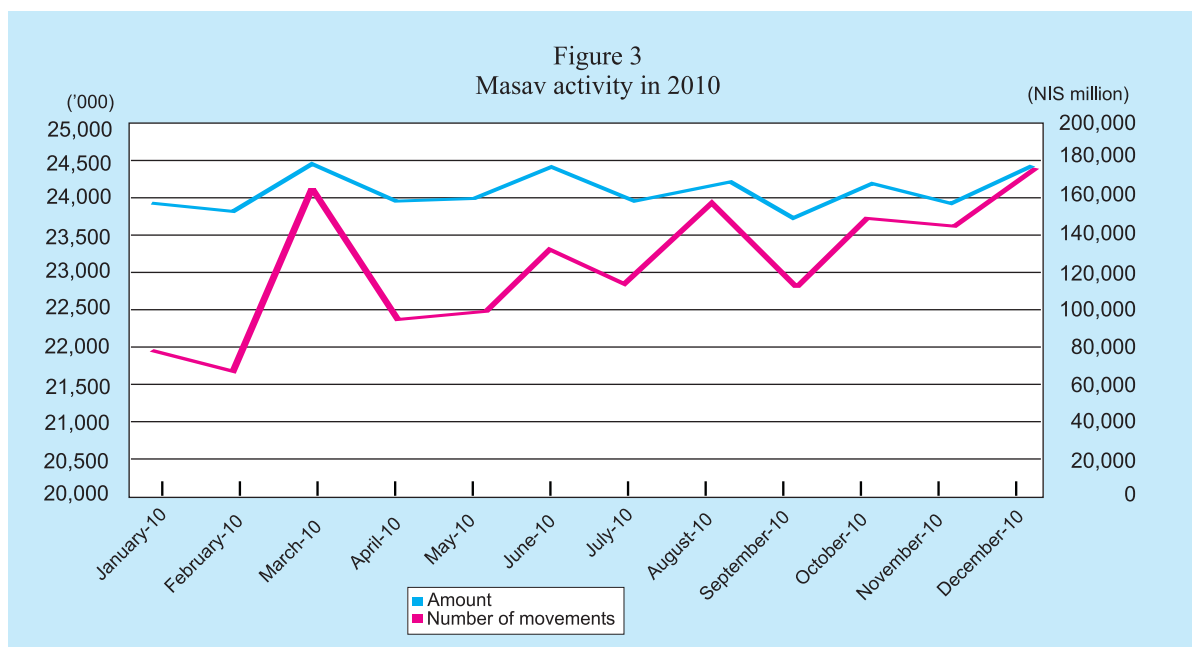
### C.1. The Interbank Clearing Center (Masav)

The Interbank Clearing Center (Masav) clears automated interbank movements that are not paper or cash. Non-bank institutions also directly transfer credits and debits to Masav.

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**Table 2: Masav activity in 2010**

Period	Number of movements (in thousands)	Amount (in NIS million)	Average amount per movement (in NIS)
January	21,911	155,789	7,110
February	21,626	147,356	6,814
March	24,181	180,088	7,448
April	22,238	159,171	7,158
May	22,417	158,935	7,090
June	23,176	172,956	7,463
July	22,823	158,160	6,930
August	23,803	167,957	7,056
September	22,765	150,440	6,608
October	23,666	168,619	7,125
November	23,595	159,611	6,765
December	24,340	178,476	7,333
<b>Total 2010</b>	<b>276,541</b>	<b>1,957,558</b>	<b>7,079</b>
<b>Total 2009</b>	<b>260,624</b>	<b>1,779,390</b>	<b>6,827</b>
<b>Percentage change</b>	<b>6.1</b>	<b>10.0</b>	<b>3.7</b>



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Table 3: Categories of Masav activity in 2010

Period	Movements of credits (in thousands)	Movements of credits (in NIS million)	Movements of debits (in thousands)	Amount of debits (in thousands)	Movements of return of debits (in thousands)	Amount of return of debits (in NIS million)	Movements of return of credits (in thousands)	Amount of return of credits (in NIS million)
January	7,957	130,872	13,485	24,441	461	435	7.6	40
February	8,083	123,909	13,121	23,021	415	379	7.2	46
March	9,072	153,534	14,666	26,106	436	379	7.8	70
April	8,139	133,668	13,662	24,969	431	387	6.1	147
May	8,268	133,267	13,732	25,193	403	377	14.3	98
June	8,712	145,948	14,065	26,402	391	396	8.2	210
July	8,509	130,546	13,922	27,208	384	352	8.7	55
August	9,053	139,068	14,353	28,410	388	415	8.9	63
September	8,286	123,370	14,090	26,657	381	360	8.1	54
October	8,804	139,068	14,418	29,080	437	401	7.7	70
November	8,923	131,551	14,262	27,635	401	375	8.6	50
December	9,520	150,348	14,411	27,664	398	382	10.5	82
<b>Total</b>	<b>103,326</b>	<b>1,635,149</b>	<b>168,187</b>	<b>316,786</b>	<b>4,926</b>	<b>4,638</b>	<b>103.7</b>	<b>985</b>

- a. 31,359 active institutions were registered at Masav in December 2010, compared with 29,831 in December 2009, an increase of 5.12 percent. The number of files transferred by these institutions during 2010 rose by 7 percent, from 1,082 million to 1,158 million.
- b. The number of movements which Masav transferred in the matter of debits and credits alone rose by 6.27 percent, from 255 million in 2009 to 271 million in 2010.
- c. The cash amount of the movements that were presented to the banks in 2010 was NIS 1,952 billion.
- d. In 2010 Masav executed 4,926 million computerized returns of authorized debits for the banks, and extended the returns service to 215 institutions.
- e. In December 2010, 2,224 active employer codes were registered in the employers' deposit system for provident funds and advanced study funds, compared with 2,070 active codes in December 2009, an increase of 7.44 percent. In 2010 these institutions transferred 15.87 million movements.
- f. The average amount of movement at Masav in 2010 was NIS 7,079 compared with NIS 6,827 in 2009.

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Table 4: Masav data by components, 2008-2010

	2008		2009		2010		גידול בשנת 2010	
	The amount (NIS billion)	The movements (NIS million)	The amount (NIS billion)	The movements (NIS million)	The amount (NIS billion)	The movements (NIS million)	The amount (in percent)	The movements (in percent)
Credits	1,472.8	96.3	1,502	97.5	1,635.1	103.3	8.8	6.0
Debits	260.8	152.9	271.2	157.7	316.8	168.2	16.8	6.6
Return of debits	4.9	5.0	5.5	5.4	4.6	4.9	-16.3	-9.3
Return of credits	-	-	-	-	1.0	0.1	-	-
<b>Total</b>	<b>1,738.5</b>	<b>254.2</b>	<b>1,779.3</b>	<b>260.6</b>	<b>1,957.5</b>	<b>276.5</b>	<b>10.0</b>	<b>6.1</b>

An upturn was recorded in Masav activity in 2010 compared with previous years, with increases of 10 percent in amounts and 6.1 percent in movements.

The only decrease was in returns of debits, of 16.3 percent in amounts and 9.3 percent in the number of movements. However, activity volumes in returns of debits were lower than overall Masav activity.

Most of the growth in Masav activity was in crediting activity, with an increase in amounts of 8.8 percent or NIS 133 billion.

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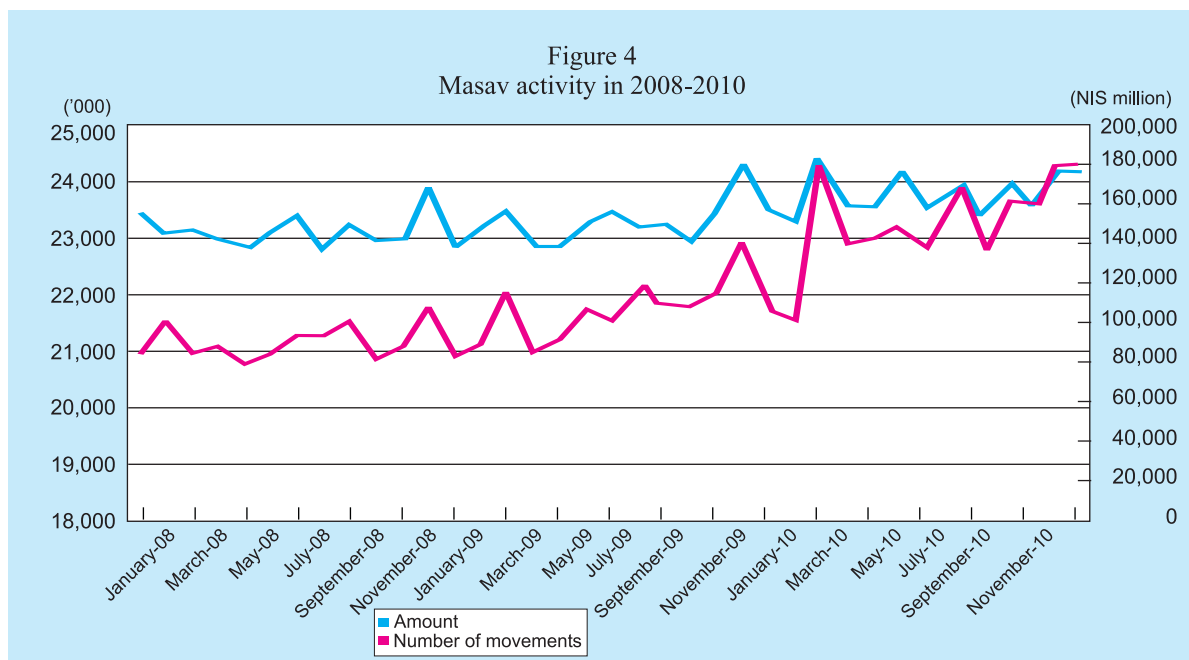
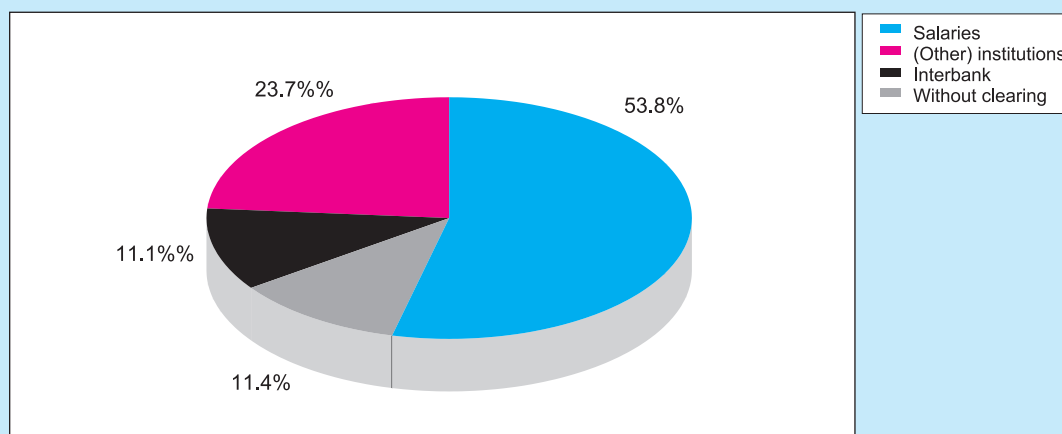


Table 5: Credits at Masav in 2010, by purpose

	Movements (in millions)	Amount (in NIS billions)	Movements (in percentages)	Amount (in percentages)
Salaries	55.6	190.8	53.8	11.7
(rehtO) snoitutitsni	24.4	527.2	23.7	32.2
Interbank	11.5	527.9	11.1	32.3
Without clearing	11.8	389.2	11.4	23.8
<b>Total credits</b>	<b>103.3</b>	<b>1,635.1</b>	<b>100</b>	<b>100</b>

Figure 5  
Credits in Masav in 2010, by purpose



The majority of movements at Masav in 2010 consisted of transfers of salaries, which accounted for 53.8 percent of total activity. However, their cash volume was very small, at 11.7 percent of total Masav activity. While the volume of interbank movements was the lowest, at 11.1 percent of total Masav movements, their cash volume was the highest, at 32.3 percent of overall Masav activity.

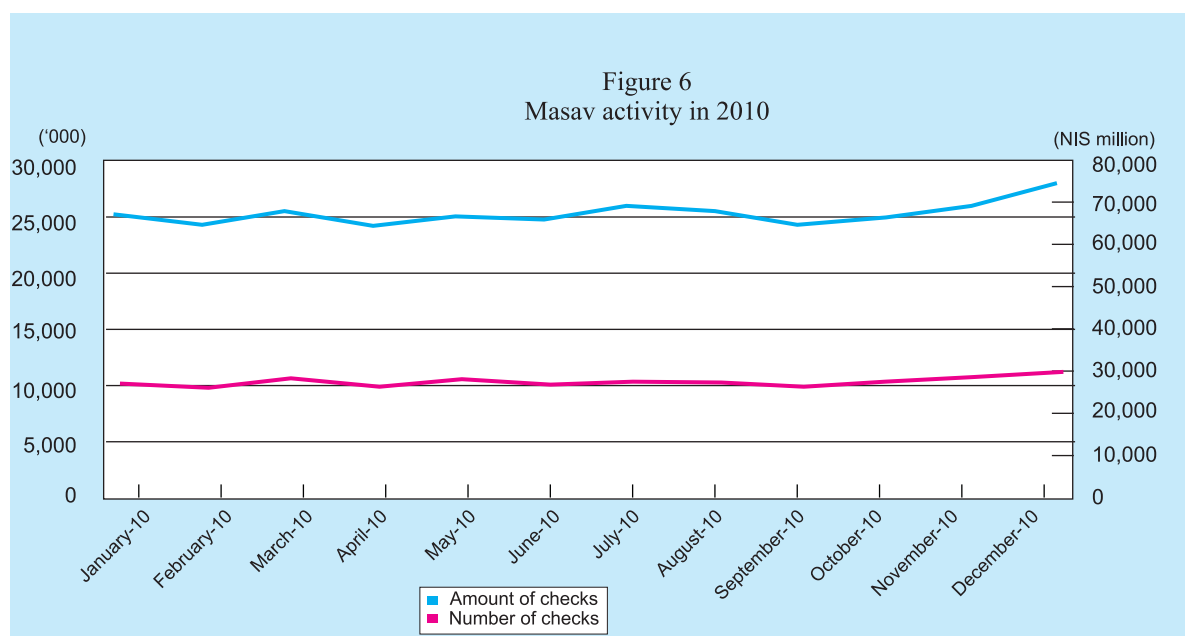
### C. 2. The paper-based clearing house (checks)

Most of the drafts presented by the banks at the paper-based clearing house are checks, which are now only presented electronically and account for 94.1 percent of the total activity of the paper-based clearing house, as detailed in Table 6 below. Apart from checks, non-magnetic drafts, manual drafts, as well as returns of checks and manual drafts are presented. These account for 5.9 percent of the total activity of the check clearing house. In 2010 the average amount per check was NIS 6,474 compared with NIS 6,023 in 2009, an increase of 7.4 percent.

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**Table 6: Presentations and returns at the paper-based clearing house by components, 2010 (NIS million)**

Period	Checks			Manual instruments			Total paper-based clearing house	Percentage of checks	Percentage of manual instruments
	Presentations	Returns	Total	debits	credits	Total			
January	65,623.3	1,897.5	67,520.8	1,572.4	768.4	2,340.8	69,861.6	96.6	3.4
February	60,276.7	1,754.3	62,031.0	3,685.7	632.1	4,317.8	66,348.8	93.5	6.5
March	67,472.4	1,911.4	69,383.8	3,200.8	1,013.0	4,213.8	73,597.6	94.3	5.7
April	60,128.3	1,666.8	61,795.1	2,342.5	927.3	3,269.8	65,064.9	95.0	5.0
May	64,888.8	1,906.2	66,795.0	2,427.8	1,106.9	3,534.7	70,329.7	95.0	5.0
June	63,100.4	1,867.9	64,968.3	5,135.4	1,308.6	6,444.0	71,412.3	91.0	9.0
July	69,649.0	2,341.3	71,990.3	4,183.3	1,256.0	5,439.3	77,429.6	93.0	7.0
August	67,580.6	1,874.9	69,455.5	1,955.7	1,299.1	3,254.8	72,710.3	95.5	4.5
September	60,566.1	1,752.2	62,318.3	4,920.7	1,036.2	5,956.9	68,275.2	91.3	8.7
October	64,092.5	1,912.4	66,004.9	1,438.5	1,363.9	2,802.4	68,807.3	95.9	4.1
November	67,752.3	2,011.6	69,763.9	2,926.2	879.7	3,805.9	73,569.8	94.8	5.2
December	72,526.3	1,919.5	74,445.8	5,106.5	101.6	5,208.1	79,653.9	93.5	6.5
<b>2010 Total</b>	<b>783,656.7</b>	<b>22,816.0</b>	<b>806,472.7</b>	<b>38,895.5</b>	<b>11,692.8</b>	<b>50,588.3</b>	<b>857,061.0</b>	<b>94.1</b>	<b>5.9</b>

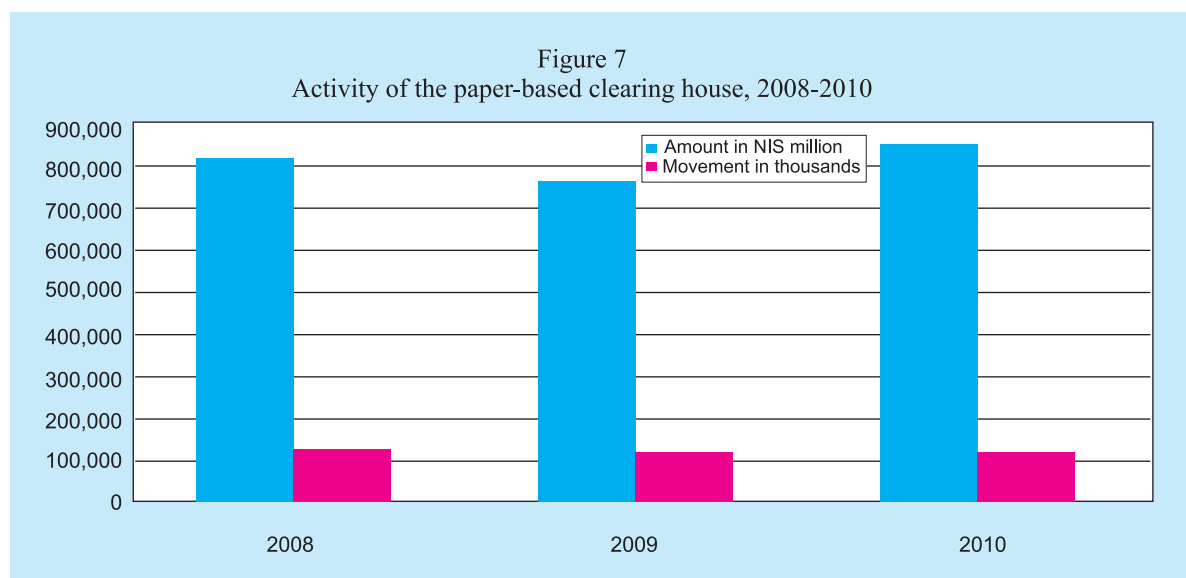


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**Table 7: The paper-based clearing house by components, 2008-2010**

Type of instrument	2008		2009		2010		Growth/reduction in 2010	
	Amount (NIS million)	Movement (in thousands)	Amount (NIS million)	Movement (in thousands)	Amount (NIS million)	Movement (in thousands)	Amount (in percent)	Movement (in percent)
Manual debits	21,360	252	29,088	229	38,895	190	33.7	-17.0
Manual credits	4,999	233	9,027	270	11,693	241	29.5	-10.6
Total manual instruments	26,359	*485	38,115	*499	50,588	*431	32.7	-13.7
Checks presented	776,264	131,739	727,312	121,258	783,657	121,645	7.7	0.3
Checks returned	23,859	3,609	22,495	3,249	22,816	2,963	1.4	-8.8
Total checks	800,123	135,348	749,807	124,507	806,473	124,608	7.6	0.1
<b>Total</b>	<b>826,482</b>	<b>135,833</b>	<b>787,922</b>	<b>125,006</b>	<b>857,061</b>	<b>125,039</b>	<b>8.8</b>	<b>0.0</b>

\* Change resulting from a change in the method of estimating the number of transactions relating to manual drafts. The number of transactions is an assessment based on reports relating to one day a month.



The amounts of checks increased by 7.6 percent in 2010. Manual drafts increased by 32.7 percent in their amount while the number of movements fell by 13.6 percent. The amounts of overall paper-based clearing house activity increased without any substantial change in the number of movements.

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Table 8 : Data on the amounts of check presentations and returns in 2010

	Checks drawn		Checks returned		Total checks		Percentage of returns	
	Quantity (in thousands)	Amount (in NIS million)	Quantity (in thousands)	Amount (in NIS million)	Quantity (in thousands)	Amount (in NIS million)	Quantity In-%	Amount In-%
January	10,010	65,623	266	1,898	10,276	67,521	2.7	2.9
February	9,297	60,277	221	1,754	9,517	62,031	2.4	2.9
March	11,147	67,472	268	1,911	11,415	69,384	2.4	2.8
April	9,371	60,128	239	1,667	9,610	61,795	2.6	2.8
May	10,335	64,889	239	1,906	10,574	66,795	2.3	2.9
June	9,838	63,100	242	1,868	10,081	64,968	2.5	3.0
July	10,306	69,649	244	2,341	10,550	71,990	2.4	3.4
August	10,172	67,581	229	1,875	10,400	69,456	2.2	2.8
September	9,469	60,566	224	1,752	9,692	62,318	2.4	2.9
October	10,216	64,093	269	1,912	10,485	66,005	2.6	3.0
November	10,659	67,752	256	2,012	10,916	69,764	2.4	3.0
December	10,826	72,526	267	1,919	11,093	74,446	2.5	2.6
<b>Total</b>	<b>121,645</b>	<b>783,657</b>	<b>2,963</b>	<b>22,816</b>	<b>124,608</b>	<b>806,473</b>	<b>2.6</b>	<b>3.0</b>

#### **D. Significant Events at the Banks Clearing House**

<b>Month</b>	<b>Event</b>
<b>January 2002</b>	Clearing the results of cash withdrawals from ATMs via Masav.
<b>August 2003</b>	The Money Laundering Prohibition Order is enacted.
<b>July 2005</b>	Separation of the accounting between customers and the banks at T-day value, and between the banks themselves at T+1-day value.
<b>August 2005</b>	The Prohibition of Terrorism Financing Law is enacted.
<b>November 2005</b>	The electronic clearing of checks becomes obligatory.
<b>December 2005</b>	Commencement of the transmission of the results of check clearing from the banks to the Bank of Israel.
<b>February 2006</b>	Extension of the business day to 18:30, and change in settlement times accordingly.
<b>July 2007</b>	Commencement of operation of imaging and photographing of checks between the banks.
<b>July 2007</b>	Reform in the payments and settlement system; launching of the Zahav (RTGS) system at the Bank of Israel.
<b>July 2007</b>	Postponement of accounting in respect of interbank settlement to the following business day without changing the value day, meaning that customers will be credited/debited at T-day value, and the banks at T+1-day value.
<b>July 2007</b>	Abolition of the recording of transactions at a retroactive value, in order that the banks' balances will be final.
<b>July 2007</b>	Merger of the clearing house sessions for presentations and returns of credits, and of the clearing house sessions for presentations and returns of debits.
<b>October 2007</b>	Restriction on transfer at Masav to NIS 3 million; above this amount, the transfer is via the Zahav system alone (except for exceptional cases determined by the Bank of Israel).
<b>May 2008</b>	Commencement of operation of the method for allocating ranges of beneficiary codes for contractors' projects, as a result of the arrangement governing payment to project finance accounts alone.
<b>June 2008</b>	Notifications given in accordance with the clearing house rules are transferred to the banks clearing houses by email only and not on paper.

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<b>September 2008</b>	Updating and matching of the “clearing house regulations” to the “clearing house rules”, and their publication on the Bank of Israel’s web site.
<b>January 2009</b>	Termination of the representation of the bank branches operating in the Gaza Strip.
<b>July 2009</b>	Update of the appendices, standards and the specifications of the clearing house rules, and their publication on the Bank of Israel’s web site.
<b>July 2009</b>	Commencement of computerized reporting from the Bank of Israel to the banks on the beneficiary codes in use.
<b>December 2009</b>	Computerized return of credits via Masav by means of the credit returns system.
<b>February 2010</b>	Replacement of the bank representing Bank Massad by First International Bank instead of Bank Hapoalim.
<b>March 2010</b>	Termination of representation of Palestine Islamic Bank (Bank no. 81) at the clearing house.
<b>May 2010</b>	Replacement of the bank representing Bank Otsar Hahayal by First International Bank instead of Bank Hapoalim.
<b>August 2010</b>	Translation of the clearing house rules to English and publication of the translation on the Bank of Israel web site.
<b>November 2010</b>	Commencement of electronic settlement in respect of collection vouchers.

**E. Beneficiary codes for use with collection vouchers for the banks’ customers**

Customers who wish to issue collection vouchers at all the banks for payment to their accounts should initially approach the bank at which their account is managed in order to obtain beneficiary codes for the collection vouchers. Following this, the banks will approach the secretary of the Clearing House Committee, who will allocate them beneficiary codes. After the allocation, the Bank of Israel will report to all the banks on the allocations of the beneficiary codes.

In 2010, at the banks’ request, the Bank of Israel allocated 136 codes for magnetic collection vouchers compared with 134 codes in the previous year, 114 of which were for the private sector and 22 for local authorities.

**F. The body for resolving disagreements between the banks**

The body for resolving disagreements between the members of the clearing house—“the clarifiers’ panel”—continues to operate in accordance with Chapter 207 of the clearing house rules. The body is coordinated by Attorney Tal Nadav, and his deputy, Attorney Ran Vangerko, to whom the chairman of the Clearing House Committee delegated his authority in accordance with Section C of Chapter 207 of the clearing house rules.

The list of clarifiers is presented in Appendix D to the report.

## APPENDICES

### Appendix A

#### Members of the Clearing House Committee and their deputies who were appointed for two years from January 1, 2009 to December 31, 2010

	Members	Deputies of the Members
<b>Bank of Israel representatives</b>		
Chairman Acting Chairperson	Chaim Dershan Ronit Tzitiat Sasha Saposhnik Na'ama Ozeri Anat Shabbat Elad Yaakobi <sup>1</sup> Margalit Rokeach <sup>2</sup>	Arieh Levi Noa Sheshinsky-Lavi <sup>1</sup> Oren Hadajis Shaul Perel Amitai Lapidot Dror Nagar-Halevi
<b>Representatives of the banks</b>		
Israel Discount Bank Ltd.	Shlomo Avidan	Yitzhak Contanta
Israel Postal Bank	Yitzhak Florentin	Ofer Zioni
Bank Hapoalim B.M.	Shmuel Alon	Chaim Avraham
The First International Bank of Israel Ltd.	Dalia Lavon	Motti Shaul
Bank Leumi Le-Israel Ltd.	David Segev	Yehoshua Levi
Mizrahi-Tefahot Bank Ltd.	Meir Nissim	Moshe Romi
Citibank Israel	Tamar Shechter	Oren Avraham

<sup>1</sup> Appointed from January 4, 2010.

<sup>2</sup> Appointed from November 16, 2010

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**Appendix A (contd.)**

**Members of the Clearing House Committee and their deputies who were  
appointed for two years from January 1, 2011 to December 31, 2012**

	<b>Members</b>	<b>Deputies of the Members</b>
<b>Bank of Israel representatives</b>		
Chairman Acting Chairperson	Chaim Dershan	
	Ronit Tzitiat	Noa Sheshinsky-Lavi
	Sasha Saposhnik	Oren Hadajis
	Tal Harel	Na'ama Ozeri
	Anat Shabbat	Amitai Lapidot
	Elad Yaakobi	Dror Nagar-Halevi
	Margalit Rokeach	
<b>Representatives of the banks</b>		
Israel Discount Bank Ltd.	Shlomo Avidan	Yitzhak Contanta
Israel Postal Bank	Yitzhak Florentin	Ofer Zioni
Bank Hapoalim B.M..	Shmuel Alon	Chaim Avraham
The First International Bank of Israel Ltd.	Dalia Lavon	Motti Shaul
Bank Leumi Le-Israel Ltd.	David Segev	Yehoshua Levi
Mizrahi-Tefahot Bank Ltd.	Meir Nissim	Moshe Romi
Citibank Israel	Inbal Tatro	Assi Levy

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**Appendix B**

**Members of the Clearing House and the network of representations**

<b>Bank Code</b>	<b>Name of Bank</b>	<b>The representing bank in the settlement of non-magnetic drafts</b>	<b>The representing bank in the settlement of electronic drafts</b>	<b>The representing bank in settlement via Masav</b>
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 Interntnl.	First Interntnl.	First Interntnl.
17	Mercantile Discount Bank Ltd.	+	Discount	Discount
20	Mizrahi-Tefahot Bank Ltd.	+	+	+
22	Citibank N.A.	+	+	+
23	HSBC Bank plc	+	Leumi	+
25	BNP Paribas Plc	+	-	+
26	UBank Ltd.	First Interntnl.	First Interntnl.	First Interntnl.
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 Interntnl.	First Interntnl.	First Interntnl.
52	Bank Poalei Agudat Israel Ltd.	International	International	International
54	Bank of Jerusalem Ltd.	Leumi	Leumi	+
68	Dexia Israel Bank Ltd.	+	Discount	+
99	Bank of Israel	+	+	+

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**Appendix B (contd.)**

**Banks in the area of the Palestinian Authority  
that are members of the Clearing House\***

<b>Bank Code</b>	<b>Name of Bank</b>	<b>The representing bank in the settlement of non-magnetic drafts</b>	<b>The representing bank in the settlement of electronic drafts</b>	<b>The representing bank in settlement via Masav</b>
37	Bank of Jordan	Hapoalim	Hapoalim	Hapoalim
38	Commercial Bank of Palestine	Hapoalim	Hapoalim	Hapoalim
43	Jordan National Bank	Mercantile Discount	Discount	Discount
49	Arab Bank plc	Discount	Discount	Discount
66	Cairo-Amman Bank	Discount	Discount	Discount
67	Arab Land Bank	Hapoalim	Hapoalim	Hapoalim
71	Jordan Gulf Bank	Hapoalim	Hapoalim	Hapoalim
73	Arab Islamic Bank	Hapoalim	Hapoalim	Hapoalim
74	HSBC Bank Middle East	Hapoalim	Hapoalim	Hapoalim
76	Palestine Investment Bank	Hapoalim	Hapoalim	Hapoalim
82	Al-Quds Bank for Development and Investment	Discount	Discount	Discount
83	Union Bank for Savings and Investment	Discount	Discount	Discount
84	The Housing Bank	Discount	Discount	Discount
89	Bank of Palestine	Hapoalim	Hapoalim	Hapoalim
93	Jordan Kuwait Bank	Discount	Discount	Discount

\* The representation of Palestine Islamic Bank (Bank no. 81) by Bank Discount was terminated on March 25, 2010.

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**Appendix C**

**Changes in the Clearing House rules, appendices  
and standards in 2010**

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<b>Chapter</b>	<b>Subject</b>
202	Bringing forward the time of the second session on the day preceding Independence Day
204	Adjusting the accounting between the banks in respect of electronic settlement
206	Returns
211	Extent of responsibility of the presenting bank
218	Settlement of checks in foreign currency
302	List of members of the clearing house and the network of representations
304	Branches whose day of rest does not fall on the Sabbath
305	Reasons for return

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**Appendix D**

**Clarifiers for resolving disagreements between Clearing House members**

Bank	Name of Clarifier		
Union Bank of Israel Ltd.	Aliza	Rozanes	Adv.
Israel Discount Bank Ltd.	Yitzhak	Contanta	
	Alona	Hazan	Adv.
	Nissim	Madjar	Adv.
	Meir	Lindzen	
	David	Peleg	Adv.
Israel Postal Bank	Boaz	Rozinsky	Adv.
	Yitzhak	Florentin	
Mizrahi-Tefahot Bank Ltd.	Shlomo	Katz	Adv.
	Ofer	Mor	
	Meir	Nissim	
	Moshe	Romi	
Bank Hapoalim B.M..	Shmuel	Alon	
	Efrat	Shahar	Adv.
	Gideon	Dor	Adv.
	Ephraim	Shwartz	
Bank Leumi Le-Israel Ltd.	Roni	Bernholtz	Adv.
	Yehuda	Avni	
	Asher	Sarussi	
	David	Segev	
The First International Bank of Israel Ltd.	Dan	Sofer	
	Dan	Karni	Adv.
	Mordechai	Shaul	
UBank Ltd.	Gal	Steiger	
Mercantile Discount Bank Ltd.	Alex	Greenspan	Adv.
	Leah	Davidov	
	Yoav	Mintz	Adv.
Clarifiers who are not employees of Clearing House members	Yigal	Shapira	Adv.
Coordinator of the clarifiers' panel	Tal	Nadav	Adv.

## Appendix E

### **The Subcommittees that operated in 2010 as part of the Clearing House Committee**

1. Subcommittee for termination of manual settlement.
2. Subcommittee for characterization of the settlement of collection vouchers between the banks.
3. Subcommittee for finding a solution for the settlement of issues of securities between the banks.
4. Subcommittee for characterization of a new system that will be installed at the Bank of Israel for the banks' use with respect to settlement announcements.