



# Participation of Nonbank Entities in the ZAHAV (RTGS) System

Terms, Requirements, Fees, and How to Start the Process of Joining

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## Terms, Requirements, Fees, and How to Start the Process of Joining

### Background

The Bank of Israel operates a Real-Time Gross Settlement (RTGS) service called ZAHAV (hereinafter: **“the ZAHAV system” or “ZAHAV”**). The ZAHAV system is an advanced system for the real-time, final, efficient and reliable settlement of shekel payments in Israel. ZAHAV Payment instructions transferred in the ZAHAV system are carried out immediately, and are final once they are carried out. ZAHAV allows its users to make payments rapidly and safely. Settlement takes place within minutes and cannot be canceled. The payee can use the funds immediately.

In addition, the ZAHAV system is the Israeli economy’s final settlement entitee for all domestic-currency activity, as follows: Retail payment systems that participate in and are connected to ZAHAV send payment messages to other participants and send payment instructions to ZAHAV on a netting basis. Also, transfers between two participants in ZAHAV can be forwarded from one to another or in their customers’ names. This means that the final financial settlement throughout the economy, in domestic currency, takes place in the ZAHAV system.

Retail payment systems and entities participate in settlement using ZAHAV either for themselves or on behalf of their customers. To join them, an entity must comply with the rules of the ZAHAV system (hereinafter: **“the System Rules”**). The purpose of this requirement is to maintain the system’s stability and efficiency and to ensure that all payments that pass through the system are settled within the same day.

ZAHAV participants can submit payment instructions on account of their activity or for their customers.

Similarly, a ZAHAV participant can settle net transactions in its account that originate in its activity. Where relevant, they can also settle net transactions originating in the activity of a participant that they represent in settlement in other payment systems: the Stock Exchange clearinghouses; the Credits, Debits, and Transfers system; and the immediate payment service, run by MASAV<sup>1</sup>; the payment card services system and the ATM system run by SHVA, Ltd.<sup>2</sup>; and the Paper-Based (Checks) Clearinghouse, run and operated by the Bank of Israel.

**This document is intended for entities interested in joining the ZAHAV system, and discusses three issues:**

1. What it means-terms and requirements.
2. Fees for joining and using the system.
3. How to start the process of joining.

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<sup>1</sup>MASAV (Bank Settlement Center), Ltd.

<sup>2</sup>Automatic Banking Services (Shva), Ltd.

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## Information for nonbank entities interested in joining the ZAHAV system

### 1. What it means-terms and requirements

To become a settlement participant in ZAHAV, an entity must comply with all the terms and requirements specified below:

#### 1.1 Terms of access to the ZAHAV system

- 1.1.1 **Licensing and supervision** - Licensing and supervision in delivering payment services, ensuring that the payment service provider complies with the mandatory terms for participating in the payment system, including regulation relating to risks management relevant to its activity in the system. Licensing and supervision matters are regulated by the Payment Systems Oversight Division at the Bank of Israel, as stated in Section 3 below, “How to Start the Joining Process.”
- 1.1.2 **Signing mandatory legal agreements** - Signing an agreement for joining the ZAHAV system in accordance with the System Rules. The agreement as it appears in the ZAHAV system rules is a general, fixed, and binding document for system participants.

#### 1.2 Joining the ZAHAV system-requirements

- 1.2.1 **Compliance with system rules** - All participants in the ZAHAV system must comply with the rules. The rules constitute a mandatory basis for regulation of all participants' activity.
- 1.2.2 **Physical security** - Participants are responsible for ensuring their system's physical security, access control (user ID and authentication), internal audit, backup program, and control of transactions and balances as specified in the System Rules.
- 1.2.3 **Liquidity management** - A settlement participant using ZAHAV is responsible for managing its liquidity in the system at all hours of system activity, i.e., on a regular business day from 06:45 to 20:00 and on a short business day from 06:45 to 15:00.
- 1.2.4 **Having in place internal rules or procedures for working with the system** - Participants must affirm that they have in place and enforce working procedures in ordinary times and in emergencies.
- 1.2.5 **Compliance with the technological requirements for working with the system** - The technological capabilities that are necessary for working with ZAHAV and that make it possible to comply with all rules as specified in the Rules of the System.
- 1.2.6 **Compliance with the business** - continuity requirements-including backup arrangements that are strong enough to allow the system to continue operating regularly in various states of emergency.
- 1.2.7 **Compliance with SWIFT requirements** - To connect with the ZAHAV system, the participant must join the SWIFT network, by means of which payment instructions are sent, and must deploy for this activity vis-à-vis the SWIFT company at both the technological and the business levels. Accordingly, participants must satisfy the relevant requirements for activity that relate to SWIFT. These are spelled out in more advanced stages of joining the system<sup>3</sup>.

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<sup>3</sup>This pertains to a participant that settles its activity via its settlement account in the ZAHAV system. For this purpose, a participant shall receive permission from the manager of the ZAHAV system to participate in the system, to access a settlement account, and to connect with the system by means of the SWIFT interface.

1.2.8 **Compliance with information security and cyber requirements** - Participants must comply with information security and cyber requirements that are relevant for the activity of an entity that wishes to access the system. These are spelled out in more advanced stages of joining the system.

Notwithstanding the provisions of the terms of access and the requirements to join, the Bank of Israel may, under special circumstances that so justify, decide not to allow certain payment service providers to participate in the ZAHAV system and maintain a settlement account with it, at the Central Bank's sole discretion. To be clear, the Bank of Israel may instruct applicants for access to ZAHAV to present it with any document or information and may allow applicants to present their claims before it makes a final decision.

Furthermore, the Bank of Israel may, in accordance with additional considerations including those relating to risk management, instruct an applicant to make further adjustments as needed for the purpose of its participation.

## 2. Fees for joining and using the ZAHAV system

### Policy on charging for use of the ZAHAV system<sup>4</sup>

The Bank of Israel charges ZAHAV participants a fee for using the system in order to cover the system's operating costs without making a profit, i.e., using a cost +0 model. Below are the types and rates of fees charged:

1. **Joining fee:** The joining fee is a nonrecurrent payment for a new participant in the ZAHAV system, and is currently NIS 50,000.
2. **Monthly fee:** The monthly fee includes a fixed component and a variable component:

	Number of transactions	Fixed component	Variable component
Large participant	>6,000 transactions per month	NIS 45,000	NIS 2-8 per transaction, commensurate with the number of participant transactions per month.
Medium participant	1,001-6,000 transactions per month	NIS 20,000	
Small participant	100-1,000 transactions per month	NIS 5,000	
Micro participant	Up to 100 transactions per month	NIS 2,500	

Transactions amounting to NIS 1,000,000 will not be charged a variable component fee.

<sup>4</sup>The pricing model is undergoing review and will be updated in accordance with the findings.

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### 3. How to start the joining process

#### **Apply to participate in the ZAHAV system**

Payment service providers who wish to participate in settlement through ZAHAV are invited to learn how to join the payment systems, as described in the manual on access to supervised payment systems in Israel (“the Access Manual”), and then to contact the Payment Systems Oversight Division at [payments-oversight@boi.org.il](mailto:payments-oversight@boi.org.il)

#### **Preparations for participation in the ZAHAV system**

1. The Access Manual specifies the stages that an applicant for access must pass until it receives actual access authorization.
2. After receiving approval in principle from the Payment Systems Oversight Division to start the process of joining vis-à-vis the ZAHAV system operator, the applicant shall contact the operator of the system at [zahav@boi.org.il](mailto:zahav@boi.org.il). The system operator shall apprise the applicant of the specific information that it must submit in order to complete the process of joining ZAHAV.
3. As part of the process of applying for access to ZAHAV, the applicant shall present the system operator with a business document that specifies the nature of its activity including reference to the following matters: the process of participation in ZAHAV that it desires; the type of activity that it expects to carry out in the ZAHAV system; its liquidity management system; its modus operandi vis-à-vis the system; backup sites; business continuity arrangements; preparations in terms of human resources at all hours of ZAHAV activity; type of connection with SWIFT; security measures; technological preparations; and additional matters as set forth in the System Rules.

## Preparatory stages for participation in ZAHAV



The applicant contacts the Payment Systems Oversight Division for instructions and advice

1



The Payment Systems Oversight Division informs the system operator that the applicant has complied with the terms for receiving the System Rules.

2



The applicant applies to the system operator.

3



The system operator sends the applicant a confidentiality agreement.

4



The system operator presents the applicant with a full set of ZAHAV rules.

5



The process vis-à-vis the applicant starts

6