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## **Directive 10—Access and Participation Requirements**

### **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, including formulation of fair requirements for connection to the system by those wishing to participate in it.

In accordance with Principle 18 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 have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.

This Directive regulates the actions that controlled payment systems and designated controlled payment systems must take to define clearly the requirements for connecting with the system while maintaining system stability and efficiency.

### **2. Definitions**

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



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“Payment Systems Oversight” or “Oversight”-	designated controlled payment system; 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;
“User”-	An entity that operates in the system and is not a participant therein;
“System rules”-	The rules by which the payment system operates;
“Terms of access”-	Threshold terms that define fitness to participate in the system;
“Connection requirements”-	Technological, operational, legal, and business-related requirements that relate to the ability of a participant and/or a user to use the services of the system.



### **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. Terms of access and connection requirements**

- 4.1 A payment-system operator shall establish connection requirements for a participant in the payment system. Said requirements shall be:
  - 4.1.1 objective;
  - 4.1.2 risk-based;
  - 4.1.3 publicly disclosed<sup>1</sup>;
  - 4.1.4 permitting fair and open access.<sup>2</sup>
- 4.2 The connection requirements shall ensure the compliance of participants and users that are technically connected directly to the payment system with technological, operational, financial, and legal requirements that will enable them to discharge their obligation to the payment system and to the other participants at the requisite time:
  - 4.2.1 *Technological and operational requirements*—may include, inter alia, reasonable criteria in regard to the requisite physical and technological resources for use of the services of the payment system, including adequate expertise in risk management and information security.

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<sup>1</sup> Provided said information does not place the payment system at risk.

<sup>2</sup> The effect of the connection requirements on the ability to access the payment system shall be as limited as circumstances allow, provided an accepted level of risk control is maintained and applicable laws are upheld.



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- 4.2.2 *Financial requirements*—may include, inter alia, reasonable risk-based capital requirements, default arrangements, a credit rating, and collateral.
- 4.2.3 *Legal requirements*—may include, inter alia, licensure of activity and authority to carry out activity, legal opinions pertaining to the participant’s ability to discharge its obligation to the payment system and the other participants and to safeguarding of confidentiality.
- 4.3 The system operator shall define, in the system rules, all types of participation in the system in accordance with each type of system activity and shall establish connection requirements for each type of participation as aforesaid.
- 4.4 The system operator shall impose additional requirements on participants who rely on other participants’ services if the operator deems this correct for the assurance of their sound activity in the system.
- 4.5 The system operator shall establish, in the system rules, rules for cancellation of participation, blocking, suspension, cancellation of blocking and suspension, and orderly exit of a participant and user who is technically connected directly to the payment system and has violated, or has ceased to comply with, the terms of access and/or the connection requirements and also in a case where a participant or user who is technically connected directly to the payment system wishes to disconnect.

## **5. Monitoring**

- 5.1 A system operator shall monitor the compliance of participants and users with the terms of access and the connection requirements on a regular basis and in the following ways, inter alia:
- 5.1.1 obtaining requisite certifications from relevant regulators;
- 5.1.2 obtaining reports on developments that may affect compliance with the terms of access and the connection requirements;



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5.1.3 examining operational and technological ability and financial resources in order to prevent unacceptable risk exposure to the payment system and the other participants.

5.2 The system operator shall review the connection requirements in order to ascertain their compliance with the terms specified in this Directive at least once every three years and after any revision thereof.

## **6. Information reported and frequency of reportage**

6.1 A payment-system operator shall report the requirements for connection to the payment system to Oversight, with reference to the various aspects that arise from this Directive, when this Directive goes into effect. Said report shall include an explanation of the way the connection requirements satisfy the terms specified in this Directive.

6.2 Once per year and by March 1 of each year, the system operator shall forward to Oversight her or his review of the connection requirements in accordance with the contents of Section 5.2 above.

6.3 The system operator shall report of any revision of the connection requirements to Oversight, in a clean copy and a "Track Changes" copy, a month before said revision goes 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.

## **7. Forwarding information to the Bank of Israel**

7.1 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.



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- 7.2 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.
  - 7.3 A system operator who forwards information under this Directive shall ascertain receipt of the information by the contact persons referenced in Subsection 7.2 by telephone or by electronic mail from the contact person, confirming receipt of the information.
  - 7.4 Reportage to Oversight shall be presented in the form of a digital document and not in handwriting.
  - 7.5 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.
  - 7.6 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**

<b>Date of promulgation</b>	<b>Essence of update</b>
November 3, 2019	Promulgation of directive

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