



SECTION 211 – ELECTRONIC CLEARING OF MAGNETIC RECEIVABLES

a. Participation in electronic clearing

Clearing of magnetic receivables will be carried out only electronically. Every member of the Clearing House has the right to participate in this clearing process himself (a direct participant) or he can be represented by a different member of the Clearing House (a represented participant) – hereafter: a participant. In this section, the term “participant” (as opposed to “direct participant” or “represented participant”) will indicate both a direct participant and a represented participant.

1. Any member of the Clearing House that is not a participant has the right to submit a written request to the Chairman of the Clearing House Board to participate in this clearing process. With the approval of the request, the Chairman of the Clearing House Board will decide on the date for the start of participation, once he has consulted with the other participants.
2. Every Clearing House member has the right to submit a written request to the Chairman of the Clearing House Board to be represented in electronic clearing, together with the notification by the direct participant that he has agreed to represent him (hereafter: the representative participant). On the approval of the request, the Chairman of the Clearing House Board will decide on the date that representation will begin, once he has consulted with the other direct participants. Appendix 302 contains a list of participants and the representatives of the represented participants.
3. Representation will be terminated with the approval of the Chairman of the Clearing House Board and from the date specified in the approval (which will be no later than 30 days from the date of the approval).
4. When a participant is represented by another participant, each operation mentioned in this section will be carried out by the representative participant.

b. Presentation of receivables

1. A direct participant will present another direct participant with unsorted magnetic receivables (that are intended for him and participants represented by him) in Session 2 (as described in Section 204).

Direct participants have the right to exchange magnetic receivables between themselves, including by electronic clearing, prior to Session 2 and the total of the receivables will be included in an electronic file in the format of Clearing House Form 412: Presentation of Magnetic Debits. (The report will include totals of receivables that were presented in that session.) The date of the session will be considered to be the date of the presentation of the receivables.

c. Transmission of files

1. A direct participant will transmit a file to the other direct participants containing data on the receivables that will be presented by him to each direct or represented participant (hereafter: the file), as well as a file of data on the receivables that were returned by him to each direct or represented participant (hereafter: the file of returns).
2. The structure of the records in the file is described in Standard 502 with regards to presentation and in Standard 503 with regard to returns. The Chairman of the Clearing House Board has the authority to change the aforementioned standard in coordination with the participants.



3. The transmission will be carried out before the time set by the Clearing House Board.

d. Batches of magnetic receivables

1. The batches of magnetic receivables, both for presentation and for return, will be presented in Session 2.
2. The direct participant will submit a summary computer report to the recipient of the debits which will contain the quantity and total of debits presented for electronic clearing. In addition, the direct participants will submit a summary computer report which contains the quantity and total of debits returned in electronic clearing.

e. Lack of correspondence

If the drawee participant identifies a received electronic debit without its magnetic receivable form or a magnetic receivable without its electronic debit, he will notify the participant presenting the receivable or the debit of such by the next business day, including a full description of what is missing or what is surplus and will take action as follows:

1. The participant has received an electronic debit without the magnetic receivable form: the drawee participant has the right to demand that the presenting participant present the missing receivable or that he present a letter of indemnity for the missing receivable according to Appendix 306.
2. The participant has received a notice stating that he has delivered a surplus magnetic receivable to another participant: he must present a debit for it or request its return. If the receiving participant has been asked to return the receivable and has not found it, he must present a letter of indemnity, as described in Clause 1 above.
3. The receiving participant finds a surplus receivable that is not intended for him and is not included in the magnetic summation: he will return the receivable to the presenting participant at the next clearing session.
4. The participant found a superfluous electronic debit (two or more identical debits): he will return the surplus electronic debit to the presenting participant in a separate "errors" file up to two hours after the presentation on that day (as described in Section 202 Clause a. "Dates and Times").
5. The magnetic receivables in the returned file will remain with the drawee participant until the receipt of a corrected file from the presenting participant.

f. Returns

1. If a Clearing House member does not wish to honor a magnetic receivable presented to him, he has the right to return it, according to the circumstances, in accordance with the instructions in Section 206.
2. A magnetic receivable will be returned according to the details of the collecting Clearing House member as reported in the file. The return of an electronic debit for the returned magnetic receivable will be done electronically in the returns file.
3. The Clearing House member presenting the return of an electronic debit without its magnetic receivable will attach a notice of such to the batch of returned magnetic receivables.



4. A magnetic receivable will not be returned due to the reason – “Lacks the stamp of the collecting bank”. This clause is not intended to exempt a bank from placing a stamp of endorsement in the appropriate spot according to the laws regarding notes.
5. The participants have the right to exchange among themselves magnetic receivables that are included in the electronic clearing of returns prior to Session 2 and the totals of the receivables will be included in the electronic file in the format of Clearing House Form 413 of that session. The date of the session will be considered as the date of the return of the receivables.

g. The responsibility for debit information

1. A participant who receives a magnetic receivable for clearing for another participant will examine the integrity of the receivable's debit information according to the control procedures used by the other participant. To this end, each participant will make known to the other participants the procedures it uses to examine the validity/legality of the data in the check's strip of magnetic coding. (Validity/legality of data in this context – as understood in the sector.)
2. (a) Responsibility of the presenting Clearing House member for check details (apart from the amount) is defined as follows:
 - (1) If the check is successfully read by a check reader, it will be responsible for the identity between the debit information of the electronic record created and the check's strip of magnetic code.
 - (2) If information from the check's strip of magnetic code was input manually, the validity tests will be carried out according to the rules of the drawee Clearing House member.
- (b) The responsibility for the accuracy of the debit amount is as follows:¹
 1. Up to NIS 5000 – the presenting Clearing House member is responsible for the accuracy of the debit amount.
 2. Over NIS 5000 – the drawee Clearing House member is responsible for the accuracy of the debit amount.

The Chairman of the Clearing House Board has the authority to update the above amounts from time to time with the agreement of the participating Clearing House members.

3. A Clearing House member that is returning an electronic debit record to another Clearing House member is responsible for including in it the whole structure of the debit record that was transferred to it in its presentation and is also responsible for the reason code for the return of the receivable, according to the table of reasons for return in Appendix 305.

¹ Updated according to Bulletin 924/m issued on June 25, 2009.