

THE PAYMENT AND SETTLEMENT SYSTEMS IN ISRAEL IN 2011



1. Principal Developments in 2011

In 2011, the Bank of Israel continued to promote and improve the payment and settlement systems in Israel. The Bank issued for the first time a report on the payment systems in Israel – the “Red Book” for 2010. The report includes extensive information on the payment and settlement systems in Israel and detailed information on the participants and activity in these systems¹. The data in the report are presented according to the principles of the Bank for International Settlements (hereinafter: “BIS”) and in the standard format accepted worldwide.

The FSAP: 2001 to today

The first FSAP assessment of the Israeli financial system was conducted in 2001. Some of the recommendations that were made then related to payment and settlement, and included: establishing a new Real Time Gross Settlement (RTGS) payment system, establishing a payment and settlement council and establishing a body to oversee the payment and settlement systems in Israel. Since 2001 the area of payment and settlement has been transformed. Inter alia, the Zahav system (an RTGS system) was established, the Israeli currency was included in the Continuous Linked Settlement (hereinafter: “CLS”) system, the Bank of Israel Law which provides that one of the functions of the Bank is “regulating the economy’s payment and clearing systems so as to ensure their efficiency and stability”, and the Payment Systems Law, were legislated. At the same time a comprehensive reform was executed that included changes in the activities of Masav, the checks clearing house and the stock exchange clearing houses, and a national council for payments and settlement was established. In addition, a Division were established in the Bank of Israel whose objective is to carry out the Bank’s responsibility with respect to payment and settlement systems, and a body for the oversight of payment and settlement systems is in the process of being established.

Extensive information on the reform can be found in the Bank’s “Financial Statements for 2009 and Israel’s Payment and Settlement Systems”, in the box “Reform in the payment and settlement systems”, page 59.

¹ The full publication appears on the website of the Bank of Israel: www.bankisrael.gov.il/paymentsystems/eng/e1.htm



In the last quarter of 2011 an assessment was conducted of the Israeli financial system – Financial Sector Assessment Program (hereinafter: “FSAP”), by an International Monetary Fund (hereinafter: “IMF”) delegation. The assessment included an analysis of financial Institutions and systems in Israel and an examination of their compliance with the international standards. The purpose of this process is to identify the risks involved in the activity and to assist in mitigating them. Such assessments have been performed in more than one hundred countries around the world to date.

The FSAP also examined the Zahav system’s compliance with accepted international standards for systemically important payment systems (“SIPS”).

The IMF intends to publish its final conclusions and recommendations in the first half of 2012.² The Bank of Israel will study the recommendations and act to implement them.

In 2011, the Bank of Israel continued to increase the efficiency and safety of the various systems, so that the payment and settlement systems in Israel would conform to international standards. In order to do so it took actions to encourage the use of advanced and lower-risk electronic methods, to increase the safety of the payment systems, and to implement the Bank of Israel Law, 5770-2010 (hereinafter: “the Bank of Israel Law”).

In order to accelerate the transition to using advanced and lower-risk electronic methods, Bank of Israel examined in recent years the reform implemented by a number of countries for encouraging a reduction in the use of paper-based means of payment. In the course of studying this matter, it was found that many countries had decided to reduce the use of checks and even to eliminate them; mainly because the level of risks involved in the use of checks is significantly higher than in other payment methods, and the cost of handling a check is higher than the cost of handling an electronic transaction. Since Israel faces the same issues, and especially in light of the widespread use of checks in Israel compared with the world, it was decided to consider a similar reform in Israel. For this purpose, a joint committee for Bank of Israel and the banks was established in 2011, and it prepared a work plan for executing a reform in this area in Israel.

In 2011, the Bank of Israel continued to search for electronic alternatives for the execution of payments that are presently settled manually in the paper-based clearing house (presentations and returns of manual debits and credits). As a result, manual clearing has been reduced and the value of manual clearing activity has decreased by 41 percent. As part of the intention to reduce paper-based manual clearing, it became necessary to promote a comprehensive reform in the process of issuing and settlement corporate securities at the time of their issuance. For this purpose a committee³ was

² Additional details on the nature of the assessment, as well as the full assessment documents, can be found on the website of the IMF: www.imf.org/external/NP/fsap/fsap.aspx

³ The members of the committee are: representatives of Bank of Israel, the ISA, the TASE, banking institutions, underwriters and issuance leaders.



established, headed by the Bank of Israel and the Israel Securities Authority (hereinafter: "ISA"), which prepared a plan to reform this the process of issuing and clearing corporate securities. In 2012 additional steps will be taken with the aim.

In order to increase the safety of the payment systems, Bank of Israel is acting to assimilate the use of an International Bank Account Number (hereinafter: "IBAN") code among the general public. An IBAN code is an international standard for identifying bank account numbers that significantly reduces errors in transfers of payment transactions. One of the actions taken in order to assimilate the use of an IBAN code throughout the general public is printing the code on check stubs as from January 2012. The goal is for all customers to be familiar with the IBAN code of their account, and for the code to be accessible or available in a convenient manner.

In the reviewed year the Bank of Israel continued to act to ensure the business continuity of the payment and settlement systems. In recent years the Bank created some arrangements and procedures aimed at ensuring the business continuity of the payment and settlement systems under its responsibility, in the event of a technical or business failure. The Bank of Israel continues to work toward continuous improvement in the backup systems for various components, and it is continuing to examine new measures for improving the existing backup array – both business and technological.

As part of the implementation of the Bank of Israel Law, the Bank began examining the legal and operational option of opening accounts on the Zahav system for the Tel Aviv Stock Exchange (hereinafter: "TASE") clearing houses.

During the year, the Bank continued to act to establish a body that will oversee the payment and settlement systems in Israel, as provided in the Payment Systems Law, 5768-2008 (hereinafter: "the Payment Systems Law"). The project of establishing the new body is accompanied by advisers from the World Bank, and is expected to be completed during 2013. After the body is established it will begin to routinely oversee the payment and settlement systems in Israel. The oversight activity is executed in coordination with other oversight and supervision bodies in Israel and the world – including the Supervisor of Banks; the Capital Market, Insurance and Savings Division of the Ministry of Finance; the international oversight group that oversees the CLS and the ISA. In addition it cooperates with other international bodies – the IMF, the BIS, the World Bank, the European Central Bank and other central banks. The responsibility of overseeing payment systems includes identifying risks in the overseen systems, and in order to do so the oversight body prepares an assessment regarding the stability of the systems.



As part of examining the stability of the Zahav system, various indicators are routinely examined, such as the system's liquidity surpluses, the system's availability and the concentration level of its five principal participants.

The liquidity surpluses of the Zahav system⁴ are characterized by a moderate increase that began in the middle of 2008, at the beginning of the global financial crisis, and continued until the end of 2011. Liquidity surpluses on the Zahav system lower the liquidity risk in the system, since it makes it possible for the participants to execute activity of large amounts and to settle them immediately. In this respect, it is worth noting the total of debits, which reflects the level of interbank activity on the Zahav system: a review of the data indicates a regular continuing increase beginning from the third quarter of 2009, with certain fluctuations, that reached its high peak in the middle of 2011. The banks' level of liquidity is affected mainly by the level of their monetary deposits held with the Bank of Israel. The level of monetary deposits remained high this year, as a result of the Bank of Israel's purchases of foreign currency and government bonds in recent years.

Since it began operating, the availability of the Zahav system has remained high, regardless of few operational events that occurred in its four and a half years of operation. The high level of availability reduces the operational risk and demonstrates the stability of the Zahav system and its business continuity capability. In 2010 the availability level of the Zahav system was 99.97 percent, like the level in RTGS systems around the world. (For example, in 2010, the availability level of the RTGS system in England was 99.95 percent, in Sweden 99.93 percent, and in Brazil, 99.80 percent.)

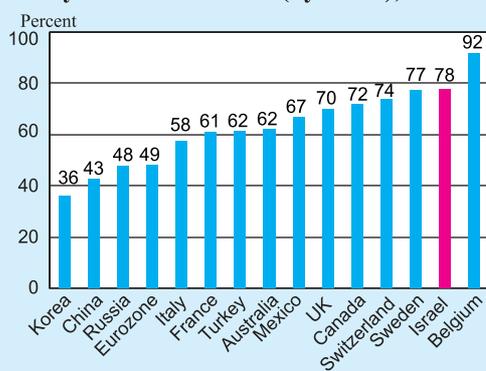
The concentration level of the participants in the clearing houses, that reflects the value of the interbank activity of the five most active participants⁵, is used to assess the systemic risk: the higher the level of concentration, the higher the systemic risk. The Zahav system has a concentration ratio of 80.75 percent – a high ratio compared to other countries (Figure 1). The concentration ratio in Zahav correlates with the concentration ratio in the banking system in Israel⁶.

⁴ Liquidity surpluses are calculated according to daily averages: total liquidity on the Zahav system less total interbank debits.

⁵ It should be emphasized that the most active banks on the Zahav system are not necessarily the largest banks in Israel.

⁶ An international comparison according to the Herfindahl-Hirschman Index (H Index) shows that the concentration in the Israeli banking system is considerably higher than the average in other countries around the world. For more on this matter see, "Israel's Banking System, 2010 Annual Survey", pages 10-11.

Figure 1
Concentration Ratio in RTGS Systems Worldwide (by value), 2010



SOURCE: Bank for International Settlements.

Table 1
Concentration ratio in the Zahav system (by value), 2008-2011

	Concentration ratio	Annual change (percent)
2008	79.24	-
2009	76.62	-3.31
2010	77.56	1.23
2011	80.75	4.11

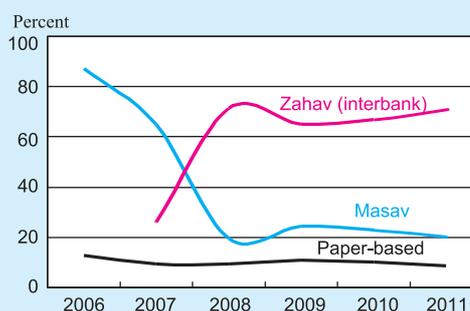
SOURCE: Bank of Israel.

2. The payment system in Israel – data for 2011

In 2011, the fourth year of operation of the Zahav system, most of the large interbank amounts were settled directly through the Zahav system. As shown in Figure 2, in the reviewed year, 71 percent of the total value of interbank transactions settled on all the payment systems was settled in the Zahav system. Masav settled 20 percent, and the paper-based clearing house settled 9 percent.

Table 2 below presents the value and the volume of transactions that were settled in the three main clearing houses – Zahav, Masav and the paper-based clearing house. It is evident that in 2011 the interbank value that was settled in the Zahav system increased by 29 percent and the value of the other activity increased by 16 percent (the other activity mainly consists of monetary activity, depositing and withdrawing currency, purchasing foreign currency and activity of the government). The credits in Masav increased by about 7 percent and those in the paper-based clearing house (which clears checks and manual transactions) increased by about 5 percent. In terms of the volume of transactions – the number of interbank transactions in Zahav increased by 38 percent, compared to an

Figure 2
Distribution of the Clearing Houses' Activity, 2006-2011



SOURCE: Masav and Bank of Israel.



increase of 7.5 percent in the number of credits in Masav⁷; the number of checks settled in the paper-based clearing house decreased by about one percent, and the number of manual transactions decreased by about 50 percent. This is due to measures that were taken by the banking system to reduce manual transactions in the paper-based clearing house.

The significant increase in the volume and in the value of the interbank transactions settled in the Zahav system is due to, inter alia, the campaign and other actions Bank of Israel has been leading since the middle of 2010 for increasing the awareness of the public and of business entities to the advantages of the Zahav system.⁸

Table 2
The Clearing Houses¹ Activity, 2007-2011

	Zahav ^a		Masav ^b		Paper-based clearing house ^b		Total activity on clearing houses	Total alternative activity ^e
	Interbank	Other ^c	Credits	Debits	Checks	Manual transactions ^d		
	Value (NIS billions)							
2007	2,463	5,807	5,940	239	773	106	15,328	9,282
2008	6,402	15,472	1,473	266	800	26	24,439	8,701
2009	4,742	57,562	1,502	277	749	38	64,870	7,031
2010	5,672	70,112	1,636	322	807	51	78,600	8,166
2011	7,305	81,639	1,753	347	846	30	91,920	9,934
Annual change (percent)	28.8	16.4	7.2	7.8	4.8	-41.2	21.2	16.1
	Transactions (thousands)							
2007	50	9	92,955	150,651	151,762	-	395,427	244,767
2008	193	23	96,316	157,895	135,348	485	390,260	232,342
2009	167	31	97,478	163,144	124,507	499	385,826	222,651
2010	229	33	103,430	173,112	124,608	431	401,843	228,698
2011	316	34	111,163	178,571	123,466	217	413,767	235,162
Annual change (percent)	38.2	3.0	7.5	3.2	-0.9	-49.7	3.0	2.8

^a The Zahav system began operating in July 2007.

^b Including returns.

^c The activity settled in Zahav includes the allocation of credit lines to participants, the activity of clearing houses and the activity of Bank of Israel (such as monetary deposits, depositing and purchasing currency and the shekel side of foreign currency purchases).

^d Collection of data on the number of manual transmissions commenced in 2008.

^e The alternative activity includes transactions that can be settled in Zahav, in the paper-based clearing house and credits that can be settled in Masav, for which the systems are alternative to each other. Masav settles direct debits that can not be settled in Zahav or the paper-based clearing house and are therefore not included in that column.

SOURCE: Masav and Bank of Israel.

⁷ The increase in credits in Masav is due to an increase in payments of institutions, in intra-bank payments and in interbank payments.

Table 6 provides details of the credits in Masav according to destination.

⁸ For further details see Figure 4.

2.1 The major payment systems operating in Israel

Presented below are details regarding the major payment systems operating in Israel.

2.1.1 The Zahav system

Table 2 above shows that about 350,000 transactions were settled in the Zahav system in 2011 with a total value of about NIS 88,944 billion; compared with about 262,000 transactions with a total value of about NIS 75,784 billion in 2010 (an increase of 34 percent in the number of transactions and of 17 percent in total value). In 2011 there were about 316,000 interbank transactions in the Zahav system (an average of 1,050 transactions per business day⁹), and having a total value of about NIS 7,305 billion for the year; compared with about 229,000 transactions (about 757 transactions per business day) and having total value of NIS 5,672 billion in 2010. The data indicate an increase of 38 percent in the average number of interbank transactions per business day.

The average amount of one interbank transaction settled by the system was NIS 23 million in 2011, compared with NIS 25 million in 2010.

In 2008 and the first two quarters of 2009 there was a slowdown in interbank activity¹⁰ in the Zahav system (Figure 3), which was reflected in a decline in the value and volume of transactions settled in the system. This decline can be attributed to the general slowdown in the economy as a result of the global financial crisis. In the middle of 2009, along with the economy's recovery from the crisis, there was an increase in the value of interbank transactions settled in the Zahav system, a trend that continued also in 2010 and 2011. As from the beginning of the recovery and until the end of 2011 the value of interbank transactions settled in the Zahav system has increased (according to the daily average per quarter) by 98 percent—from NIS 13,912 billion in the middle of 2009 to NIS 27,593 billion at the end of 2011.

Figure 3
Value of Interbank Transactions in the Zahav System, 2007- 2011
(Daily average per quarter)



SOURCE: Bank of Israel.

⁹ In 2011 there were 301 business days and in 2010 there were 302 business days.

¹⁰ Interbank activity is composed of the activity of the banks in Israel, CLS and the Postal Bank.



The use of the Zahav system by the general public is rising. This data is reflected by customers' activity in the system in transactions having a value of up to NIS 1 million—Figure 4 shows a cumulative increase of 320 percent since 2008 in both the value and volume. This is a result, inter alia, of publicity measures taken by the Bank of Israel to increase businesses' awareness of the Zahav system—by means of the Internet, business newspapers, and pamphlets that were distributed at branches of banks. In addition, the website of the Bank of Israel was upgraded, and with the cooperation of the banks the fees that customers pay for the use of the system were reduced temporarily by an average rate of 40 percent. An additional action in this respect was lowering the threshold for transferring payments in Masav: from the start of the activity of the Zahav system until July 2010, the maximum payment that could be transferred in Masav was NIS 3 million; On February 6, 2010 the Bank of Israel issued a directive lowering this amount to NIS 1 million, commencing on July 1, 2010.¹¹

In 2011, there was an increase of 22 percent in the daily average value of liquidity in the Zahav system (Figure 5); in the last quarter of 2011 the daily average of liquidity in the accounts of the system's participants was NIS 131 billion, compared with NIS 99 billion in the last quarter of 2010.

As from the second half of 2009 there are signs of stability in the ratio of total debits¹² to the total liquidity in the Zahav system (a ratio that reflects the liquidity surpluses of the system's participants).

In the last quarter of 2011 the average daily ratio was 49 percent, compared with 60 percent in the last quarter of 2010, 55 percent in the last quarter of 2009, 60 percent in the last quarter of 2008 and 94 percent in the last

Figure 4
Zahav Customer Activity
(Transactions up to NIS 1 Million)
2008-2011

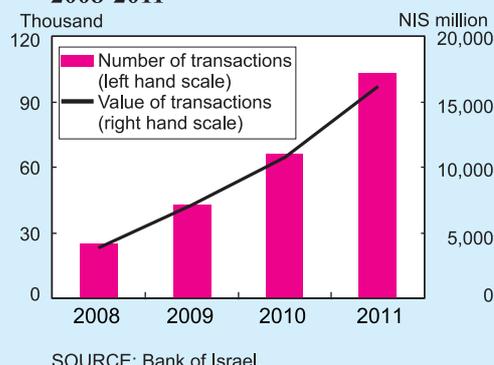
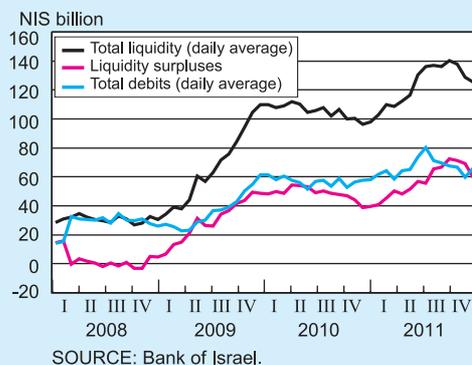


Figure 5
Total Debts, Liquidity, and Liquidity Surpluses in Zahav, 2008-2011



¹¹ Excluding exceptions determined by the Bank of Israel.

¹² Total debits settled in the participant's current account consist of bilateral payments sent to the system by the participant, in which the participant's current account is debited and the account of another participant in the system is credited, as well as debits to the participant's current account which are included in multilateral payments from clearing houses.

quarter of 2007.

The high level of liquidity in 2011 can be attributed to the policy of the Bank of Israel in recent years of enhancing the ability of the Israeli economy to withstand the effects of financial crises; the policy included, inter alia, purchases of foreign currency in the framework of a plan, which began in March 2008, to increase the foreign currency reserves, and the purchase of government bonds during 2009. These purchases brought the banks' liquidity to a high level, which was maintained also in 2011.

An analysis of the changes in the value of the banks' monetary deposits in the Bank of Israel in 2011, shows that they increased in the first two quarters of the reviewed year, mainly as a result of the Bank of Israel continuing to purchase foreign currency. The Bank of Israel did not purchase foreign currency in the second half of 2011, while at the same time there was an increase in issuances of government bonds – two factors which reduced the amounts of the monetary deposits. It is emphasized that the liquidity level of the banks stayed high regardless of the decrease in the last quarter.

Table 3 below shows that the value settled in the Zahav system increased in the reviewed year by 17 percent. Furthermore, there was an increase of 34 percent in the volume of transactions in the system. The increase in the number of transactions is mainly due to an increase in the number of transactions of customers in the system.

Table 3
Activity in the Zahav System by Components, 2008-2011

	Interbank ^a				Total
	Excluding CLS	Only CLS	Clearing houses	Bank of Israel	
	Value (NIS billions)				
2008	5,894	508	7,506	7,966	21,874
2009	3,809	933	4,831	52,731	62,304
2010	4,575	1,097	4,294	65,818	75,784
2011	5,897	1,408	4,066	77,573	88,944
Annual change (percent)	28.9	28.3	-5.3	17.9	17.4
	Transactions (number)				
2008	185,584	7,913	8,948	13,959	216,404
2009	156,430	10,427	9,398	21,394	197,649
2010	217,872	10,774	10,707	21,864	261,217
2011	305,138	10,813	11,068	22,591	349,610
Annual change (percent)	40.1	0.4	3.4	3.3	33.8

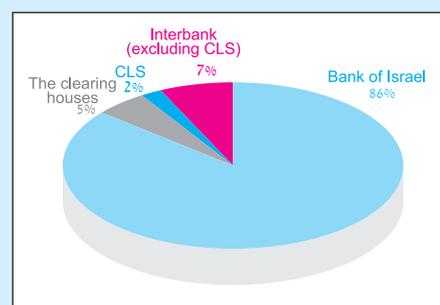
^a Activity in NIS in CLS began on May 26, 2008.
SOURCE: Bank of Israel.



In 2011 the value of transactions settled by the clearing houses in the Zahav system amounted to NIS 4,066 billion and the number of such transactions was 11,068. The Bank of Israel's activity in the Zahav system amounted to NIS 77,573 billion, an increase of 18 percent from the previous year. The increase in the activity of the Bank of Israel in the Zahav system is explained by an increase in the banks' deposits in the Bank of Israel.

Figure 6 presents the composition of the Zahav system's activity; the Bank of Israel accounts for about 86 percent of the activity. The Bank of Israel's activity includes primarily payment transactions with respect to monetary tenders (about 99 percent of the activity of the Bank of Israel), providing intraday credit to the Zahav system participants, the government's activity, deposits and withdrawals of currency and the shekel side of Bank of Israel's purchases of dollars.

Figure 6
Value of Activity of the Zahav System by Component, 2011



SOURCE: Bank of Israel.

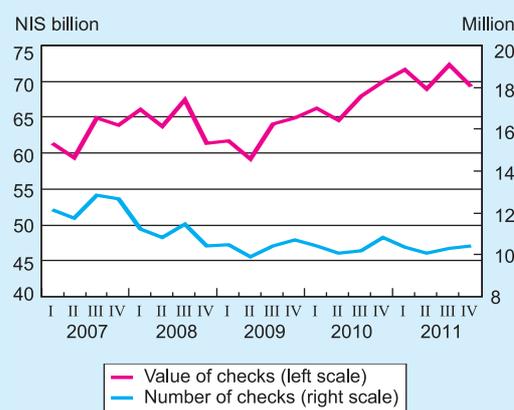
2.1.2 The banks' clearing house

2.1.2.1 The paper-based clearing house¹³

Table 4 below shows that in 2011 settlements in the paper-based clearing house amounted to NIS 876 billion, compared with about NIS 858 billion in 2010 (an increase of 2 percent). In 2011 the number of transactions in the clearing house decreased by one percent.

In 2011 the paper-based clearing house handled 123.7 million transactions, of which 99.8 percent were checks. The monthly average number of checks settled in the paper-based clearing house was 10.3 millions (Figure 7).

Figure 7
Electronic Check-Clearing, 2007-2011
(Monthly average per quarter)



SOURCE: Bank of Israel.

¹³ The data included in "The paper-based clearing house" section refer only to interbank transactions.

**Table 4
Paper-Based Settlement by Components, 2007-2011**

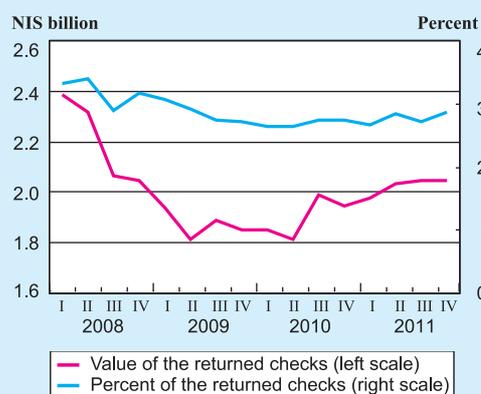
	Manual transactions			Checks			Total in paper-based clearing house
	Debit	Credit	Total	Presented	Returned	Total	
	Value (NIS billions)						
2007	55	51	106	749	24	773	879
2008	21	5	26	776	24	800	826
2009	29	9	38	727	22	749	787
2010	39	12	51	784	23	807	858
2011	29	1	30	822	24	846	876
Annual change (percent)	-25.6	-91.7	-41.2	4.8	4.3	4.8	2.1
	Transactions (thousands)						
2007 ^a	-	-	-	148,254	3,508	151,762	151,762
2008	252	233	485	131,739	3,609	135,348	135,833
2009	229	270	499	121,258	3,249	124,507	125,006
2010	190	241	431	121,645	2,963	124,608	125,039
2011	180	37	217	120,583	2,883	123,466	123,683
Annual change (percent)	-5.3	-84.6	-49.7	-0.9	-2.7	-0.9	-1.1

^a Data was not collected in 2007 regarding the number of manual transactions.
SOURCE: Bank of Israel.

The value of manual transactions in 2011 totaled NIS 30 billion, compared with NIS 51 billion in 2010. The reason for the decrease is the measures led by the Bank of Israel, together with the commercial banks and the Postal Bank, to eliminate the clearing of manual transactions.

Figure 8 shows that the monthly average of returns was between 2.7 percent and 2.9 percent throughout 2011, whereas the monthly average value of returns was between NIS 1.98 billion and NIS 2.05 billion.

**Figure 8
Paper-Based Clearing House – Returned Checks, 2008-2011
(The Value and Percent of Returned Checks, Monthly average per quarter)**



SOURCE: Bank of Israel.



The value of returned checks began to increase from the second half of 2010 and continued in 2011, following a trend of decline that began in 2008. The annual cumulative rate of returned checks in the paper-based clearing house was 2.8 percent in 2011, compared with 2.7 percent in 2010.

2.1.2.2 Masav

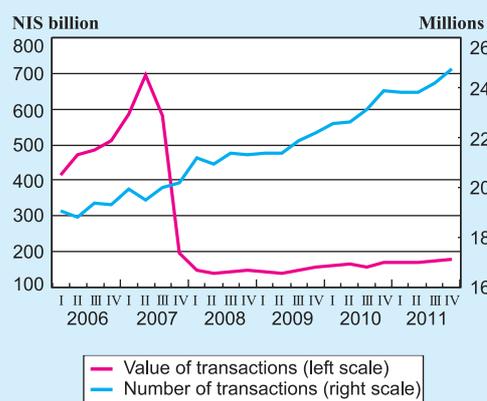
The sharp decline in the value of transactions in Masav in the second half of 2007, which can be seen clearly in Figure 9, can be attributed to the launch of the Zahav system; this is in contrast to the trend of increase in the number of transactions in the years 2006–2011.

According to the directives of Bank of Israel, as from July 1, 2010 payments higher than NIS 1 million are to be settled directly in the Zahav system (and not in Masav), except in extraordinary circumstances defined by the Bank of Israel.

In 2011 the number of institutions operating in Masav increased by about 5 percent, similar to the increase last year. In December 2011 there were 32,781 active institutions listed in Masav compared with 31,359 institutions in December 2010.

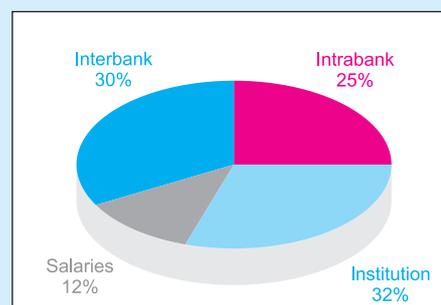
The activity of Masav increased in 2011 – both in value (by about 7 percent) and in volume (by about 5 percent) (Table 5). The value of transactions cleared in Masav was NIS 2,100 billion in 2011 (compared with NIS 1,958 billion in 2010), of which credits amounted to NIS 1,752 billion, debits to NIS 342 billion, returns of debits to NIS 4.7 billion and returns of credits to NIS 1 billion. The increase in transactions in Masav is due to both the credits component and the debits component, which increased by 7 and 8 percent, respectively. The average value of a transaction in Masav in 2011 was NIS 7,247.

Figure 9
Masav Activity, 2006-2011
(Monthly average per quarter)



SOURCE: Masav.

Figure 10
Masav – Credits by Destination
2011



SOURCE: Masav.

Table 6 indicates that the aforesaid increase in the credits component derives from an increase in the value of transactions of institutions, of salary activity and of interbank transactions; the activity of the institutions and of the salary activity increased by about

Table 5
Masav by Components, 2007-2011

	Credits	Debits	Returned credits ^a	Returned debits	Total
Values (NIS billions)					
2007	5,940	235	-	3.9	6,179
2008	1,473	261	-	4.9	1,739
2009	1,502	271	-	5.5	1,779
2010	1,635	317	1	4.6	1,958
2011	1,752	342	1	4.7	2,100
Annual change (percent)	7.2	7.9	-	2.2	7.3
Transactions (thousands)					
2007	92,955	146,116	-	4,535	243,606
2008	96,316	152,892	-	5,003	254,211
2009	97,478	157,749	-	5,395	260,622
2010	103,326	168,186	104	4,926	276,542
2011	111,055	174,125	108	4,446	289,734
Annual change (percent)	7.5	3.5	3.8	-9.7	4.8

^a Returned credits are settled via Masav, instead via the paper-based clearing house, since December 2009.
SOURCE: Masav.

Table 6
Masav—Credits by Destination, 2009-2011

	Interbank	Wages	Institutions	Intrabank	Total credits
Values (NIS billions)					
2009	518	181	480	323	1,502
2010	528	191	527	389	1,635
2011	530	210	580	432	1,752
Annual change (percent)	0.4	9.9	10.1	11.1	7.2
Transactions (thousands)					
2009	9,119	53,862	22,369	12,128	97,478
2010	11,455	55,595	24,446	11,830	103,326
2011	14,004	56,955	27,187	12,909	111,055
Annual change (percent)	22.3	2.4	11.2	9.1	7.5

SOURCE: Masav.



10 percent each, and interbank activity increased by about 11 percent. This table and Figure 10 show that most of the credit transactions were salaries transfers (51 percent), although the value of the salary component was the lowest (12 percent). Conversely, the number of interbank transactions was the lowest (13 percent), but their value was the highest (25 percent). The value of the institutions' transactions cleared in Masav was the highest (33 percent) and the number of the institutions' transactions was the second highest (24 percent).

2.1.3 The TASE clearing houses

According to TASE data presented in Table 7 below, the value of trades handled by the TASE clearing houses totaled NIS 1,629 billion in 2011, compared with NIS 1,586 billion in 2010 (an increase of 2.7 percent). In 2011, the government bonds component increased by 21 percent, whereas trade in shares and convertibles decreased by 15 percent. Trade in makam decreased by 1.4 percent. The increase in government bonds can be attributed to the growing concerns regarding a global financial crisis, which led the public to invest in channels considered conservative compared to shares and convertibles.

Table 7
Trading Volumes in Securities, 2006-2011

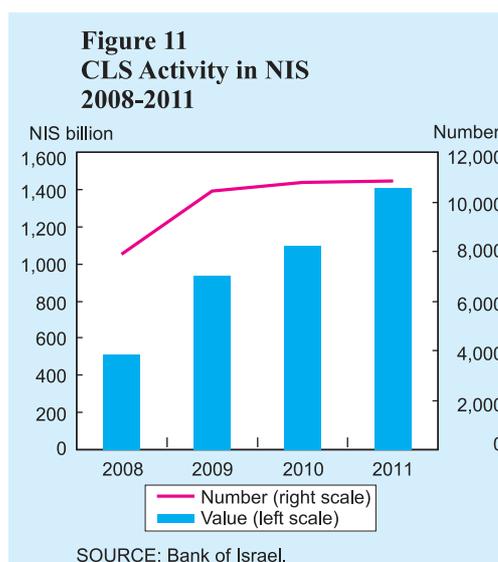
	Shares and convertibles	Bonds		Total	Makam	Total
		Govt.	Other			
Values (NIS billions)						
2006	360	356	68	424	198	982
2007	506	636	165	801	207	1,514
2008	481	761	224	985	192	1,658
2009	423	789	223	1,012	160	1,595
2010	498	579	218	797	291	1,586
2011	422	703	217	920	287	1,629
Annual change (percent)	-15.3	21.4	-0.5	15.4	-1.4	2.7

SOURCE: TASE.

2.1.4 CLS system

In 2011, the CLS settled \$1,241 trillion, compared with \$1,074 trillion in 2010 (an increase of 16 percent). In 2011, CLS settled an average of \$4.7 trillion daily, compared with \$4.1 trillion in 2010 (an increase of 15 percent).

CLS handled in 2011 shekel transactions of \$393 billion (about NIS 1,408 billion) – 0.32 percent of the total amount settled by CLS during the year. The total daily average settlement in the shekel currency in 2011 was \$1.6 billion (about NIS 5.7 billion).



2.1.5. Payment card companies

There were 793 million¹⁴ payment card transactions in 2011 with a total value of NIS 188 billion—about 7 percent higher than last year. The average payment card transaction this year was NIS 237.

Table 8 below presents data of shekel transactions, including withdrawals of cash by means of payment cards and activity for obtaining information. The data in Table 8 do not include purchases and cash withdrawals in foreign currency.

**Table 8
Use of Payment Cards, 2005-2011**

	Values (NIS billion)	Transactions (millions)	Annual change in value (percent)
2005	113	482	10.4
2006	126	532	11.5
2007	139	585	10.3
2008	154	641	10.8
2009	161	685	4.5
2010	176	745	9.3
2011 ^a	188	793	6.8

^a Q4 data: estimate.

SOURCE: Banking Supervision Department.

¹⁴ It should be emphasized that the number of transactions shown in this table includes all the transactions listed on customers' statements, whereas the other debits in the public's current accounts only list debits recorded in the current account (Table 9).





2.2 Means of payment

The debits of the public's current accounts (Table 9) include checks, cash withdrawn at Automated teller machines (ATMs) and banks, authorized debits (executed through Masav) and other types of debits. Other types of debits include electronic debits and credits (through Zahav and Masav), activity by payment cards, payments via the Internet, and other business transactions between the customer and the bank, such as the purchase of securities, the purchase of foreign currency and bank charges.

The debits of the public's current accounts totaled about NIS 21,900 billion in 2011, compared with about NIS 19,892 billion in 2010. The total value of debits of current accounts held by the public, increased by about 10 percent in 2011. Debits by checks increased this year by about 4 percent, and debits by cash withdrawals - by about 7 percent. Authorized debits increased by about 8 percent, and other debits increased by about 11 percent.

Table 9
Debits Against The Public's Current Accounts, 2005–2011

	Checks ^a	Cash	Direct debits	Other debits	Total
Values (NIS billions)					
2005	821	137	471	13,731	15,160
2006	888	143	527	15,910	17,468
2007	970	158	572	21,051	22,751
2008	924	163	633	19,754	21,474
2009	860	175	649	16,374	18,058
2010	906	184	728	18,074	19,892
2011	942	196	789	19,973	21,900
Annual change (percent)	4.0	6.5	8.4	10.5	10.1
Transactions (millions)					
2005	164	134	163	274	735
2006	163	138	171	304	776
2007	165	140	178	343	826
2008	159	135	187	338	819
2009	152	131	195	305	783
2010	151	130	203	322	806
2011	149	128	209	342	828
Annual change (percent)	-1.3	-1.5	3.0	6.2	2.7

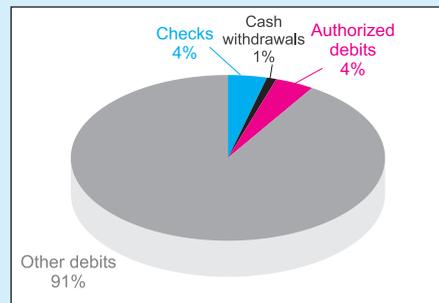
^a Including returned checks.

SOURCE: Banking Supervision Department.

The data on the public's current accounts differ from the data presented in Tables 4 and 5, since those tables present only interbank transactions, whereas the data in Table 9 include all transactions, including those settled in the banks and did not pass through the interbank clearing houses.

Figure 12 clearly shows that the other debits are the major part of the means of payment used (91 percent), with checks and authorized debits accounting for about 4 percent each, and cash withdrawals accounting for only 1 percent of the means of payment used.

Figure 12
Means of Payment Used (Value)
2011



SOURCE: Bank of Israel.

2.2.1 Use of checks

According to the reports from banks (Table 10), about 149 million checks were drawn by Israelis in 2011, of which about 124 million were presented in the interbank clearing house (Table 4), and the rest (about 25 million) were deposited in the banks from which they were drawn.

The number of checks drawn was 1.1 percent lower than last year, a trend which characterizes developed countries and originates primarily from the growing use of payment cards and the other automated payment means.

The average amount of a check was NIS 6,313 in 2011, compared with NIS 6,005 in 2010. The high average amount of a check is due to the fact that checks are still being used for large payments, such as tax payments of businesses.

Of the checks drawn in 2011, about 3.7 million were returned (2.5 percent of the total number, as in 2010). Of the total value of checks drawn (NIS 941,528 million), about 3 percent were returned, similar to the rate of returns in 2010. About half of the checks were returned because of insufficient coverage, and half were returned for other reasons (for example, checks presented after their validity date, an unrecognized signature, etc.).





Table 10
Checks Drawn and Checks Returned, 2005-2011

	Checks drawn	Checks returned	Return rate (percent)
Values (NIS millions)			
2005	820,666	22,751	2.8
2006	887,536	23,013	2.6
2007	970,363	26,475	2.7
2008	924,131	28,169	3.0
2009	859,666	28,134	3.3
2010	905,949	27,392	3.0
2011	941,528	28,281	3.0
Annual change (percent)	3.9	3.2	-
Transactions (thousands)			
2005	164,179	3,989	2.4
2006	163,013	4,132	2.5
2007	164,600	4,168	2.5
2008	159,347	4,394	2.8
2009	151,748	4,174	2.8
2010	150,865	3,821	2.5
2011	149,147	3,694	2.5
Annual change (percent)	-1.1	-3.3	-

SOURCE: Banking Supervision Department.

Table 11 below presents the value and number of checks drawn and presented in 2011 by month:

Table 11
Checks Drawn and Checks Returned, 2011

	Checks drawn	Checks returned	Return rate (percent)
Values (NIS millions)			
January	81,650	2,296	2.8
February	74,498	2,043	2.7
March	81,830	2,340	2.9
April	68,253	2,633	3.9
May	85,929	2,393	2.8
June	76,839	2,126	2.8
July	80,334	2,383	3.0
August	79,870	2,316	2.9
September	73,547	2,200	3.0
October	80,400	2,450	3.0
November	78,910	2,456	3.1
December	79,468	2,665	3.4
Transactions (thousands)			
January	12,773	329	2.6
February	11,653	278	2.4
March	13,202	327	2.5
April	10,874	272	2.5
May	13,465	331	2.5
June	12,279	282	2.3
July	12,689	308	2.4
August	12,228	306	2.5
September	11,938	279	2.3
October	12,882	346	2.7
November	12,829	314	2.4
December	12,335	322	2.6

SOURCE: Banking Supervision Department.





2.2.2 Cash

According to the data presented in Table 12 below, cash withdrawals by the public totaled about NIS 196 billion in 2011, compared with NIS 184 billion in 2010 (an increase of about 6.5 percent). Cash accounted for about one percent of all current account debits by the public – the same as last year.

Despite the increase in the use of payment cards, prepaid cards, the internet and more, the use of cash as a means of payment does not seem to be in decline; quite the contrary: cash withdrawals increased from 2005 until 2011 at a rate of about 43 percent. The average amount for cash withdrawal was NIS 1,530 - an increase of 9 percent compared to last year.

Table 12
Cash, 2005-2011

	Cash withdrawals		Cash held by the public	
	Annual amount (NIS billion)	Annual change (percent)	Annual amount (NIS billion)	Annual change (percent)
2005	137	-	19	-
2006	143	4.4	21	10.5
2007	158	10.5	23	9.5
2008	163	3.2	27	17.4
2009	175	7.4	34	25.9
2010	184	5.1	37	8.8
2011	196	6.5	40	8.1

SOURCE: Banking Supervision Department.

2.2.3 Authorized debits

According to Table 13 below, there were 209 million authorized debits in 2011, with a value totaling NIS 789 billion, compared with 203 million transactions and a value of about NIS 728 billion last year (an increase of 3 percent in volume and of 8 percent in value).

The value of authorized debits has increased by about 68 percent from 2005 until 2011 and constitutes about 4 percent of total debits in current accounts held by the public.

Table 13
Authorized Debits, 2005-2011

	Values (NIS billions)	Transactions (millions)	Annual change in value (percent)
2005	163	471	-
2006	171	527	11.9
2007	178	572	8.5
2008	187	633	10.7
2009	195	649	2.5
2010	203	728	12.2
2011	209	789	8.4

SOURCE: Banking Supervision Department.

2.2.4 Other debits

Other debits of the public's current accounts are not classified and mainly include one-time orders for the transfer of funds to an account of the same customer or that of a different customer, debits resulting from business transactions between the customer and the bank (e.g., interest payments, commissions on the purchase of securities or foreign currency), orders to debit an account using a payment card¹⁵ and payments made by the public in the Zahav system.

Other debits totaled NIS 19,973 billion for the reviewed year, compared with NIS 18,074 billion in the previous year (Table 9). In 2011, other debits accounted for about 91 percent of total debits in current accounts held by the public.

¹⁵ Some of the banks include this in authorized debits.