

Notice of the declaration of the CLS system and the ZAHAV—Credits and Transfers in Real Time system as Designated Controlled Payment Systems pursuant to the Payment Systems Law, and exemption of the CLS system from various directives

On February 10, 2008, the Payment Systems Law, 5768–2008 (hereinafter: the Law) was published.

By authority of the Governor pursuant to Sections 2 and 3 of the Law, and in view of the fulfillment of the conditions set out in those Sections—including that the systems are essential for the entire payments array in the economy and for monetary and financial stability in Israel—the Governor of the Bank of Israel has declared the CLS (Continuous Linked Settlement) system operated by the CLS Bank, and the ZAHAV—Credits and Transfers in Real Time system operated by the Bank of Israel, as Designated Controlled Systems. Declaring a system as a Designated Controlled System means that the Bank of Israel will be given the authorities to control the system, as detailed in the Law, and that the system will benefit from the granting of legal validity to directives regarding the finality of payment instructions set out in the system. In addition, certain protections have been instituted for payment instructions transferred through the system, in the case of the dissolution of one of its participants.

ZAHAV system

The ZAHAV system is an advanced system for the efficient and reliable settlement of shekel payments in the economy, in real time, and in final manner. The system was launched on July 30, 2007, and began full operations on September 3, 2007. The ZAHAV system is operated by the Bank of Israel, and serves as the final clearance of all payment and settlement systems in Israel.

The ZAHAV system is the jewel in the crown of the payment and settlement systems reform that has been led by the Bank of Israel for the past three years, and which is reflected in the adaptation of all payment systems in Israel to commonly accepted international rules. Systems such as this, which operate in all advanced economies, reduce the risks inherent in settlement, not only in that system itself, but also in other payments systems that interface with it to conduct settlement.

CLS Bank

The CLS Bank was established in order to reduce foreign currency settlement risk. Through the CLS system, foreign exchange conversion transactions between various currencies, and other transactions in foreign currencies, are conducted. The CLS Bank was established in the US, and is supervised by the supervisory authorities in the US.

The shekel's inclusion among the currencies settled in this system will strengthen the shekel, and make it a fully convertible currency traded freely around the world. It will also reduce the risks in the Israeli financial system.

In accordance with the provisions of Section 13 of the Law, after the Governor has been convinced that there is effective and proper control over the CLS system and its operator, the CLS Bank, the Governor has exempted the system, its operator, and its participants (hereinafter jointly: the System) from the provisions of various laws, as follows:

1. The provisions of Sections 8–12 (regarding control) and 20 (regarding financial sanctions) of the Law will not apply to the System.
2. The information required from the System pursuant to Section 17 of the Law, will be the information that the System provides to the Committee on Payment and Settlement Systems (CPSS) under the auspices of the Bank for International Settlements (BIS). Information will not be required from the System's participants, with the exception of participants that are banking corporations pursuant to the Banking (Licensing) Law, 5741–1981.
3. For the purposes of Section 19(b) of the Law, information that is published in accordance with this Section shall include only information on payments sent to the ZAHAV system or received from it.