



## **Directive 13—Disclosure of Rules, Key Procedures, and Market Data in a Controlled Payment System and a Designated Controlled Payment System**

### **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.

In accordance with Principle 23 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 (FMI) should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.

This Directive regulates the mandatory disclosure of rules, key procedures, and market data by controlled payment systems and designated controlled payment systems. A payment system should make sufficient information accessible to its participants and potential participants so that they may identify and clearly understand the totality of risks and responsibilities flowing from their participation in the system. Said rules and procedures, and all other related information, should be accurate, up-to-date, and available to all existing and potential participants.



## **2. Definitions**

“Payment system”, “controlled system”, “designated controlled system”, “payment-system operator”-	As defined in the Payment Systems Law;
“Payment-system operator” or “system operator”-	Operator of a controlled payment system or a designated controlled payment system;
“Payment Systems Oversight” or “Oversight”-	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;
“System rules”-	The rules by which the payment system operates.

## **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. Rules and procedures**

- 4.1 The procedures and rules should include a clear description of the following components, inter alia:



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- 4.1.1 system structure;
  - 4.1.2 system activity;
  - 4.1.3 obligations and rights of the system and its participants;
  - 4.1.4 duties of the system and its participants;
  - 4.1.5 processes to be invoked in ordinary times and in states of emergency, and controls of aberrant events such as participant default;
  - 4.1.6 processes for treatment of financial and operational problems in the system;
  - 4.1.7 processes for proposing and assimilating revisions of system rules and procedures and for calling said revisions to participants' attention;
  - 4.1.8 the level at which the system operator can exercise discretion in making material decisions that directly impact system activity, including in states of emergency, and controls of aberrant events<sup>1</sup>;
  - 4.1.9 processes meant to minimize conflicts of interest that may come about when the system operator exercises discretion.
- 4.2 The system operator shall adopt rules and procedures that are clear, comprehensive, and fully transparent to participants, provided said disclosure will not impair the stability, efficiency, and sound functioning of the system.
- 4.3 The system operator shall disclose key procedures and relevant rules to the public, provided said disclosure will not impair the stability, efficiency, and sound functioning of the system.

## **5. Participants' understanding of rules, procedures, and risks**

- 5.1 The system operator shall provide participants with all requisite training and information to understand the system rules and procedures and the risks that they face by participating in the system.

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<sup>1</sup> For example, the procedures of the system may allow discretion to be exercised when a decision to extend activity hours is made in order to allow the possibility of dealing with unforeseen market or operational problems.



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- 5.2 The system operator shall provide new participants with training before they begin to use the system and shall provide existing participants with additional periodic training as necessary.
  - 5.3 The system operator shall disclose to every participant examinations conducted to identify and manage risks, participants' outcomes, and any other information that may help the participant to understand and manage the potential risks that originate in its participation in the system.<sup>2</sup>
  - 5.4 The system operator shall disclose to participants key emphases in the system's business-continuity arrangements.
  - 5.5 The system operator shall identify participants whose activity attests to lack of understanding of, or noncompliance with, the rules, procedures, and risks. In these cases, the system operator shall take measures to correct said participant's perceived lack of understanding and may take any other requisite action to protect the system and its participants.<sup>3</sup>

## **6. Fees and other material costs to participants**

- 6.1 The system operator shall disclose information about the following to the public:
  - 6.1.1 fees that the system charges at the level of each service that it offers;
  - 6.1.2 the system's discount policy;
  - 6.1.3 list of paid services;
  - 6.1.4 system structure, technologies in use, and communication procedures that affect the cost of system operation.
- 6.2 The system operator shall apprise participants and the public of any revision of its services and fees with reasonable prior notice.

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<sup>2</sup> The system operator shall make sure that the disclosure of information about examinations conducted does not include information pertaining to other participants' positions.

<sup>3</sup> Said actions may include notifying the participant's senior management.



## **7. Framework of disclosure and other information**

- 7.1 The system operator shall disclose to participants and the public additional general information that shall include the following, inter alia:
- 7.1.1 names of direct and indirect participants;
  - 7.1.2 days and hours of system activity;
  - 7.1.3 the overall framework of risk management;
  - 7.1.4 the ordinary lifecycle of transaction clearing and settlement processes, including information about the way the system processes transactions, the timeline of the events, validation and checks carried out, and the responsibilities of all parties;
  - 7.1.5 the financial situation of the payment system;
  - 7.1.6 the financial resources of the system with which it may absorb possible losses;
  - 7.1.7 various performance statistics;
  - 7.1.8 various data including basic data relating to the number and value of transactions.

## **8. Modalities of disclosure**

- 8.1 The system operator shall place the information and the data on accessible communication channels such as the internet, using local languages.
- 8.2 The data shall be accompanied by explanatory documentation that facilitates correct understanding and interpretation.



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

- 9.1 Whenever cases are discovered in which a participant's actions pose a significant risk or create grounds for its blockage or suspension from the system, the system operator shall notify Oversight immediately.<sup>4</sup>
- 9.2 The system operator shall report the following to Oversight once per year and by March 1 of each year:
- 9.2.1 a list of all components that are disclosed both to participants and to the public;
  - 9.2.2 mapping of all components by type of component (separating those included in the rules and procedures from quantitative data such as fees and statistical data);
  - 9.2.3 mapping of all components by the communication channel used for disclosure;
  - 9.2.4 components that are not disclosed even though the system operator is required to disclose them in accordance with the sections of this Directive, and the reason for non-disclosure;
  - 9.2.5 a list of potential participants who have asked the system for information for participation purposes in the course of the year.

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

- 10.1 The 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.
- 10.2 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.

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<sup>4</sup> This measure accompanies the requirement in Section 5.5 of this Directive.



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- 10.3 A system operator who forwards information under this Directive shall ascertain by telephone that the contact persons specified in Subsection 10.2 received the information.
  - 10.4 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.
  - 10.5 Reportage to Oversight shall be presented in digital form.
  - 10.6 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**

Date of promulgation	Essence of update
April 25, 2018	Promulgation of directive

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