



## **CLEARING HOUSE RULES**

### **PART I – BYLAWS**

#### **Section 101**

##### **a. Name**

The name of the clearing house will be: The Bank Clearing House (hereafter: the Clearing House).

##### **b. Goal**

To facilitate, at any location to be determined by the Clearing House Board, the clearing of checks and other receivables, which will be decided upon by the Clearing House Board from time to time (hereafter: clearing house receivables; see Section 301).

##### **c. Membership**

1. Every bank participating in the RTGS (Real Time Gross Settlement) system,<sup>1</sup> which is operated by the Bank of Israel (hereafter: the RTGS system), will have the right to submit a request for Clearing House membership to the Clearing House Board.
2. Notwithstanding the aforementioned, a bank that does not participate in the RTGS system has the right to submit a request for Clearing House membership to the Clearing House Board if the Bank of Israel has agreed to the request. A bank that does not participate in the RTGS system and has been accepted as a member of the Clearing House will operate as a represented bank only, as defined in the Clearing House rules.
3. If the request has been approved, the Clearing House rules will then apply to the bank. A list of Clearing House members will appear in Appendix 302 with the codes that have been determined for each bank by the Bank of Israel.
4. Without detracting from the aforementioned, the Clearing House Board will have the right to cancel or suspend the membership of a bank in the Clearing House in the following cases:
  - a) The member has committed a material violation of the Clearing House rules and refuses to rectify the situation despite the request from the Chairman of the Clearing House Board.
  - b) The member has refused to appear before the Clarification Panel as described in Section 207 (below) or has refused to carry out the decisions of the Clarification Panel.
5. If the participation of a Clearing House member in the RTGS system is cancelled, then its membership in the Clearing House will automatically be cancelled as well.
6. If a member is suspended from the RTGS system for a specific period, then it will also be suspended from the Clearing House during that period. Notification of such will be provided to the Clearing House members by the Chairman of the Clearing House Board.

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<sup>1</sup> See Section 2 for the rules of the RTGS system.



7. If the Bank of Israel cancels its agreement to the participation of a bank that does not participate in the RTGS system as a Clearing House member (as described in Clause 2 above), then the bank's membership in the Clearing House will be cancelled immediately upon the Bank of Israel's notification. Such notification will be provided to the Clearing House members by the Chairman of the Clearing House Board.
8. If the membership of a represented Clearing House member has ceased to be represented by a Clearing House member (as described in Section 211 Clause a3) and has not provided notification of his representation by a different Clearing House member or his direct participation in the Clearing House, then his membership in the Clearing House will be terminated.

#### **d. The Clearing House Board**

The Governor of the Bank of Israel, or someone on his behalf, will appoint the Clearing House Board, which will be composed of fourteen members: seven representatives of the Bank of Israel, one of which will serve as the Chairman of the Board and one of which will serve as the acting Chairman, and seven representatives of the banks. In addition, the Governor, or someone on his behalf, will appoint an acting member for each member, who will participate in the Board meetings whenever the Board member is absent. The Clearing House Board will be appointed for a period of two years and it will be permitted to reappoint a member for additional periods. In the absence of the Chairman of the Clearing House Board, the acting Chairman will possess his authority in its entirety. Whenever the words "Chairman of the Clearing House Board" appear in these rules, the intention is also to the acting Chairman in the absence of the Chairman.

#### **e. Annual Report**

The Clearing House Board will submit an annual report on its activities to the members of the Clearing House each year.

#### **f. General Assembly**

The Clearing House Board will have the right to convene a General Assembly of the Clearing House members as it sees fit, in order to discuss the Annual Report and any other issues on the agenda.

The Chairman of the Clearing House Board will convene a General Assembly of the Clearing House members at the request of no less than ten Clearing House members.

#### **g. Secretary of the Board and Supervisor**

The Bank of Israel will appoint a secretary for the Clearing House Board from among its employees (hereafter: the Secretary) and a Clearing House Supervisor (hereafter: the Supervisor).

#### **h. Changes in the Rules**

Every addition or change in the rules will be carried out according to what is stated in Section 210 of the procedures.



**i. Settlement through RTGS**

The Clearing House Board is authorized to determine, as described in Section 210 of the Clearing House Rules, which receivables can be cleared through the Bank Automated Clearing House Company (hereafter: ACH).

Each member is obligated to accept the receivables presented through the ACH.

**j. Authorization of the Bank of Israel**

The members of the Clearing House will authorize the Bank of Israel to debit or credit their accounts in the RTGS system according to the clearing results, as described in the Clearing House rules.



## **PART II – PROCEDURES**

### **SECTION 201 – GENERAL**

#### **a. Clearing Days**

1. The Clearing House will operate on every banking business day as described in the Banking Regulations (Customer Service)(Dates for Crediting and Debiting of Checks) 1992 (hereafter: the Banking Regulations).
2. In addition to the aforementioned in Clause 1, on Fridays and holiday eves (apart from Purim eve, Independence Day eve and Tisha B'av eve), the Clearing House will operate on Saturday nights or nights following a holiday, according to circumstances, in order to handle receivables.

#### **b. Obligation of Participation and Representation**

1. It is the obligation of every Clearing House member to participate in Clearing House sessions – either in person or through another Clearing House member who represents him – whether or not he has receivables to present. The list of members and those being represented appears in Appendix 302.
2. A Clearing House member who does not participate in one of the sessions for any reason will be debited or credited by the Bank of Israel in the amount of the receivables that were presented or returned to him during that meeting. Being late by 10 minutes or more for a meeting will be considered as an absence. If a Clearing House member notifies the Clearing House Supervisor prior to the time set for the clearing session of circumstances that prevent him from arriving for clearing on time, then only if he is late by more than 60 minutes will he be considered absent.

#### **c. Clearing Receivables**

1. The Clearing House Board will determine the form and size of the various clearing receivables.
3. A clearing receivable can be in magnetic or non-magnetic form, as approved by the Board.
4. A magnetic receivable is one with a strip of magnetic code, which fulfils the rules and guidelines published by the Board. The magnetic code of a magnetic receivable which is not a check will include a symbol for the type of receivable, as will be determined by the Board.
5. Every clearing receivable will bear an identification number of the bank to which the receivable will be presented (apart from magnetic collection credits).
6. The identification number will be composed of the bank number and branch number.

#### **d. Clearing House Forms**

1. The Clearing House Board will determine which forms are to be used for clearing and how they will be designed.
2. The forms determined by the Board will be described in Section 400: Clearing House Forms.



**e. Signature of the Bank**

In any place where the signature of the bank is required, the bank's stamp will suffice, unless stated otherwise, and there is no need for an authorized signature.



## **SECTION 202 – CLEARING SESSIONS AND THEIR SCHEDULING**

### **a. Sessions**

Receivables will be handled in two sessions:

Session 1 – Presentation and return of non-magnetic receivables.

Session 2 – Electronic presentation and return of magnetic receivables.

Following is the schedule of the sessions:

	Weekdays	Saturday night or the night following a holiday
Session 1	22:30	22:30
Session 2	01:00 (the following day)	23:00

Comments:

During the period of daylight savings, Session 2 will take place at midnight on Saturday nights and nights following holidays instead of at 23:00.

On the 15<sup>th</sup> of the month (or on Saturday nights or nights following holidays that fall on the 16<sup>th</sup> of the month) Session 2 will take place at 2:00 (the following day).

Schedule of the sessions on Independence Day eve:<sup>2</sup>

Session I – 22:30

Session II – 23:00

### **b. Changes in the number of sessions and their scheduling**

The Board has the authority to decide on the number of sessions and their timing, whether in general or in special circumstance. Any changes will be publicized in a bulletin signed by the Secretary.

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<sup>2</sup> Updated according to Bulletin 923/m issued on June 9, 2009.



## **SECTION 203 – PREPARATION OF NON-MAGNETIC RECEIVABLES FOR CLEARING**

### **a. Presentation and return of non-magnetic debits**

A Clearing House member who is presenting or returning debits will use the following procedure:

1. He will stamp each receivable in order to indicate the name of the member presenting it, his location, his identity number and the date on which the receivable was presented at the Clearing House. The identity number will appear at all four corners of the stamp.
2. He will sort the receivables according to recipient.
3. He will sum up each package of receivables that is to be delivered to a particular recipient and will attach a printout with the summation of the package.
4. He will place the package into a special transparent envelope.
5. He will fill out Form 401 for each recipient and will attach it to the printout of the summation.

### **b. Presentation and return of non-magnetic credits**

A Clearing House member who is presenting or returning credits will use the following procedure:

1. He will sort the credits according to recipient. Each credit will bear the required stamp and will include the names of the presenter and the recipient and their locations, their identity numbers and the date of presentation.
2. He will sum up each package that is intended for a particular recipient and will attach a printout of the summation to the package.
3. He will place the package of credits into a special transparent envelope.
4. He will fill out Form 402 for each recipient and will attach it to the summation printout.

### **c. Lack of correspondence**

If a Clearing House member is forced to return receivables even though he has not managed to reconcile their totals, he must indicate the amount of the difference on an appropriate form. The sum will be recorded with a stamp that includes the following wording:

<b>In the summation of the clearing receivables, there is an unreconciled amount of NIS _____.</b>
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## **SECTION 204 – MANAGEMENT OF THE SESSIONS AND SETTLEMENT OF ACCOUNTS IN THE RTGS SYSTEM**

### **a. Session 1 – Presentation and return of non-magnetic receivables**

1. A Clearing House member will deliver presentations and returns of debits and presentations and returns of credits (including magnetic collection credits) to another Clearing House member in separate packages, as described in Section 203.
2. A Clearing House member will deliver the receivables of the types described above, which are destined for a Clearing House member who is represented by another Clearing House member together with the receivables destined for the representative member.
3. By 22:25, a Clearing House member will transmit (through the Cyber Arc system) the data on debits and credits which he has delivered to each Clearing House member during Session 1, as agreed upon between the member and the Bank of Israel. (The data on debits will be transmitted in a file of the format described in Clearing House Form 410: Presentation and Return of Non-Magnetic Debits. The data on credits will be transmitted in a file of the format described in Clearing House Form 411: Presentation and Return of Non-Magnetic Credits.)
4. Once the transmissions have been received, the Supervisor will provide each Clearing House member with a report of the total receivables that he has delivered to each Clearing House member and that he is meant to receive from each Clearing House member.
5. Each representative of a Clearing House member will verify the report produced for him, sign it and return it to the Supervisor. If a lack of reconciliation is revealed, he will notify the Supervisor of this. Following clarification with the two Clearing House members, the Supervisor will correct the delivering member's report.
6. The clearing results will be transmitted by the Bank of Israel to all participants on the day of presentation (day t) through the Cyber Arc system, as agreed upon between the member and the Bank of Israel. The settlement in the RTGS will be carried out on the following business day (t+1).

### **b. Session 2 – Presentation and return of magnetic debits**

1. A Clearing House member will electronically deliver (as described in Section 211) magnetic debits and credits to another Clearing House member.
2. The Clearing House member will transmit (by means of Cyber Arc) to the Clearing House Supervisor the data (total and quantity) regarding the debits he has delivered and debits he has returned to each participant (direct or represented) by 22:25, as described in Section 211 Clause c(3).
3. A Clearing House member who represents another member will transmit the aforementioned data to the Supervisor, in the manner described in the previous clause.
4. The results of the clearing will be transmitted by the Bank of Israel by means of the Cyber Arc system to all the participants as agreed upon between the member and the Bank of Israel. The clearing results for represented members of the Clearing House will be transmitted to the representative members.





5. If an error that exceeds NIS 10 million is revealed following the transmission of the clearing results to the participants, an opportunity will be provided for the presenting bank and the drawee bank to make a written request to the Supervisor (by 8:30 on the business day following the clearing day) to correct the total of checks recorded by the presenting bank in the report to the Supervisor.<sup>1</sup>

**c. Reconciliation and settling of accounts**

1. Following the processing of the data, all the net amounts will be cleared in the Bank of Israel's RTGS system. The settlement in the RTGS system will be carried out on the following business day (t+1).
2. Settlement between the representative banks and the represented banks will take place the following day in the RTGS system as described in Clause d. below.

The receivables presented in Session 2 (electronic presentation and return of magnetic receivables) and those intended for represented members of the Clearing House will be delivered to their representatives. The accounts of the represented Clearing House members will be directly debited or credited electronically using the files. The sum of the credits and debits will be transmitted to the Supervisor (as described in Clause b(2) above).

**d. Settling of accounts between a representative Clearing House member and a represented Clearing House member with regard to non-magnetic receivables**

1. The credits and debits resulting from the presentation of receivables in Session 1, which are intended for represented members of the Clearing House, will be reported to the Supervisor in an electronic file in the format of Clearing House report 421 – "Settling of accounts with represented members – presentation and returns".
2. The representative will transmit the report 421 data to the Supervisor (via the Cyber Arc system), as agreed upon between the member and the Bank of Israel, by 8:30 on the business day following the clearing day. The settlement to be carried out in the RTGS system will also include banks represented in Session 1 according to the data reported in report 421.
3. The receivables for the Clearing House members represented in Session 1 and in Session 2 will be submitted to their representatives and they will transfer the receivables to the Clearing House members represented by them.
4. A representative member of the Clearing House is permitted not to transmit the results of the settling of accounts with the represented Clearing House member regarding a particular clearing session on the condition that the represented Clearing House member agrees to this.

**e. Malfunction in clearing**

In cases where data cannot be transmitted as described in Clauses a, b and d above for some reason, the data will be delivered on a disc. Accompanying the disc will be the reports described above (signed by the member).

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<sup>1</sup> Updated according to Bulletin 918/m issued on March 16, 2009.



**f. Failure of clearing**

1. If one of the members does not have a large enough balance in his account in the RTGS system to cover his obligations in the Clearing House, the procedure for failure will be executed subject to the conditions described in Appendix 8(3) in the RTGS system rules.
2. If the failure arrangement is not activated or if the account balance in the RTGS is insufficient for clearing after the activation of the failure arrangement, the Bank of Israel has the right not to execute settlement in the RTGS system. In addition, the Bank of Israel has the authority to decide that the Bank Clearing House will return the receivables – whether debits or credits and whether in full or in part – of the Clearing House member who failed while specifying the reason for the return.



## **SECTION 205 – DEFECTS IN NON-MAGNETIC CLEARING RECEIVABLES**

In cases that defects are discovered in the receivables or in the forms – as described below – the Clearing House members will act as follows:

### **a. The amount of the receivable is not identical to what appears in the summation**

The recipient will return the receivable to the presenter, accompanied by a return form that specifies the reason for the return and the amount that appears within the summation of the presenter.

### **b. A missing receivable**

1. The recipient will immediately notify the presenter of the problem either by telephone or fax.
2. The recipient will fill out a return form for the presenter specifying the amount of the missing receivable and will submit it to the presenter at the next returns session, together with the relevant summation printout.

### **c. A surplus receivable**

The recipient will notify the presenter of this by phone and will coordinate the return of the receivable with him.

### **d. Correction of errors between the Clearing House members**

A member of the Clearing House who in Session 1 reveals an error in one of the Clearing House forms submitted to him or that he submitted to another Clearing House member or to the Supervisor will immediately notify the Supervisor by telephone, in addition to notifying the relevant member of the Clearing House. In Session 3, the two sides in the matter will confirm that the error has been corrected using the appropriate Clearing House forms, which will be submitted to the Supervisor.

### **e. Errors in the presentation or return of a clearing receivable**

1. A member who mistakenly receives a clearing receivable that is not intended for him will return it to the presenter at the next returns session. The responsibility for the consequences of the aforementioned error in presentation will be that of the presenter who made the error.
2. A member who receives a returned clearing receivable that was intended to be returned to a different bank (the presenter), will immediately, and no later than the next returns session, return it to the returning bank.

The presenter will not refuse to accept the receivable being returned due to the delay resulting from the aforementioned error in returning it unless the presenter explicitly notifies his customer that the receivable has been paid or in the case that he has paid the customer the amount of the receivable or a part thereof and would not have done so if the receivable had been returned on time.

Notwithstanding the aforementioned, the responsibility for the results of the return will be that of the returner who erred.



## **SECTION 206 – RETURNS**

### **a. Return of clearing receivables**

1. If a bank is not willing to honor a receivable that was presented to it at the Clearing House for one of the reasons listed in the appendixes of Section 305, he has the right to return it while specifying the reason for the return (and if there is more than one – to specify all the reasons).
2. (a) Return of a check:  
The reason for the return will be specified in one of the following manners:
  - 1) A stamp to be placed on the front of the check;
  - 2) A stamp or printed message will appear on the back of the check together with a "Returned" stamp on the front of the check.
- (b) Return of a receivable other than a check:  
The reason for the return will be specified on Clearing House Form 413 or in File 503 that will be attached to the receivable or with a stamp on the front or back of the receivable.
- (c) A Clearing House member will return any non-magnetic receivable at Session 1 following the day that the receivable was presented. Every receivable that is returned in electronic clearing will be returned in Session 2 following the day of the receivable's presentation.
- (d) Receivables presented at a branch in one of the locations listed in Appendix 303 can be returned with a delay of one clearing day.
3. (a) With regard to receivables presented to the branches listed in the Banking Regulations, an extra day of rest will be added to the aforementioned number of clearing days as specified in the Banking Regulations, if that additional day of rest falls on a clearing day.
- (b) Receivables presented at branches that are closed on the clearing days that fall on non-Jewish holidays can be returned on the first clearing day following the holiday, on the condition that the drawee Clearing House member provides written notification of this to the Supervisor and the Clearing House members at least one clearing day prior to the holiday. The notification will list the branches closed on the holiday and the dates on which they will be closed.
4. (a) If there is a delay in the transfer of receivables that is beyond the control of the Clearing House members – who have taken reasonable measures to prevent the delay – the Clearing House member has the right to return receivables that he is not willing to honor with a delay of an additional clearing day. The additional day will also be added for receivables presented late as specified in Clause 3(b) and Clauses 4(a) and (b) above. The aforementioned will apply in the case of a delay in the return of receivables due to a technical problem in the operation of essential equipment (i.e. computers and equipment for the sorting of receivables) that is used by any of the Clearing House members or some other problem that is not related to the returning Clearing House member and which is beyond his control.
- (b) If the aforementioned delay continues for more than one day, the Supervisor will be informed of the delay in delivery or the technical problem on that same day and this will be done as soon as possible before the date set for returns. The notification of the delay will be sent by email by the Clearing



House member who is the cause of the delay and will be brought to the attention of the Clearing House members on the day of the delay.

(c) If the delay continues beyond two clearing days due to special circumstances, the details of the delay will be brought for approval to the Chairman of the Clearing House Board or the Supervisor by phone, fax or email prior to the date set for returns. Following the approval of the Chairman of the Board or the Supervisor, the Clearing House member who is responsible for the delay will send notification by email to all relevant members of the Clearing House providing details of the aforementioned delay, which as mentioned was approved, and the details of the delay will be published in the newspaper as specified in the Regulations.

(d) If due to a strike that has been declared in accordance with Clause 8n of the Banking Regulations – 1941 the Clearing House member is prevented from returning checks, the strike days during the period designated for the return of checks will not be taken into account and the Clearing House member will be permitted to return the checks with a delay of up to three days after the cancellation of the strike declaration.

Details of the delay will be published in the newspapers as described in the Regulations and will be brought to the attention of the Supervisor via email on that same day prior to the date set for returns.

(e) If the aforementioned delay continues according to Clause (c) or (d), the Clearing House member will provide notification in the newspapers on the first business day following the beginning of the delay, as described in the Regulations. The Clearing House member is permitted to provide notification that is valid until further notice. In this case, the Clearing House member will publish a notification when the delay has ended.

5. If a Clearing House member is presented with a check six months after the date appearing on the check or any other period that the drawer has specified on the check, the Clearing House member has the right to return it.
6. A Clearing House receivable that bears the date 29<sup>th</sup>, 30<sup>th</sup> or 31<sup>st</sup> of the month and there is no such date that month, the receivable will be considered to bear the date corresponding to the first business day of the following month.

#### **b. Return of clearing receivables in special cases**

1. If any sort of correction is made to a clearing receivable by the originator of the receivable, his full signature is required beside the correction.
2. In the case of a cancellation of the presenting bank's stamp, the full signature of the canceling member will appear beside the cancelled stamp; otherwise the receivable is to be returned.

#### **c. Second presentation of a check**

1. A check that is returned for one of the reasons listed in the appendix of Section 305 can be presented a second time only to the credit of the same account as in the first presentation. The check that was returned will be presented in Session 2 with the magnetic receivables that are presented electronically.
2. A check that was returned due to one of the following reasons cannot be presented a second time at the Clearing House: "An instruction to cancel was received" or "The check was cancelled".



**d. Form for a cancelled check**

A blank check that has been lost or stolen (and the owner of the account has given notice of this to the Clearing House member) and is filled out when presented, will be returned for the reason "Check has been cancelled".



## **SECTION 207 – SETTLING OF DISPUTES BETWEEN CLEARING HOUSE MEMBERS**

### **a. Clarification before a panel of clarifiers**

(a) If a dispute arises between the members of the Clearing House with regard to the clearing of a specific clearing receivable, each of the parties has the right to bring the dispute for clarification to an clarification panel to be appointed by the Chairman of the Clearing House Board in each case.

(b) If the Clearing House member has turned to the panel for clarification of an issue from among those governed by the rules of the Clearing House and the respondent to his enquiry is a member of the Clearing House, the respondent must be present for clarification. However, his presence does not detract from the respondent's right to oppose the clarification of the dispute before the panel for one of the following reasons:

(1) The issue in dispute is being considered by the courts and the respondent bank is a party in this proceeding.

(2) The clearing receivable that is the subject of the dispute is being considered in court and the discussion in front of the panel may infringe on the rights of the respondent member.

(c) The panel will discuss the dispute subject to the Clearing House Rules.

### **b. List of clarifiers**

(a) The Chairman of the Board will compose a list of at least twenty clarifiers, which will include legal professionals. The list will appear in a bulletin.

(b) At the request of the Chairman of the Board, the Clearing House members will from time to time suggest candidates for the list of clarifiers. The number of candidates they can suggest will be determined by the Chairman.

(c) Employees of the Clearing House members who have expert knowledge of clearing and who have been approved by the Chairman of the Board are eligible to be clarifiers, as is any other individual that is approved by the Board of the Clearing House.

### **c. Coordinator and Acting Coordinator**

(a) For the purposes of this sections, the Chairman of the Board will appoint a Coordinator and an Acting Coordinator and he will have the power to delegate them all or part of his authority. The delegation of authority will be made known in a bulletin to be signed by the Chairman of the Board.

(b) The Chairman of the Board, the Coordinator and the Acting Coordinator can be included in the list of clarifiers.

### **d. Agreed-upon composition of a panel**

The sides in a dispute can agree among themselves on the composition of a panel including the number of its members. If agreement has been reached, the sides will notify the Coordinator of the agreed-upon name(s) of the clarifier(s).

(a) One of the panel members will be a legal professional unless agreed upon otherwise by the parties in the dispute.

(b) Unless agreed upon by the parties in the dispute, an employee of either side of the dispute will not be included in a panel discussing the dispute.



- (c) If requested by one of the parties in the dispute, the clarification panel will not include an employee of a bank that is part of the concern to which the other party belongs.
- (d) The individual who appoints a panel will select its chairman. If he does not do so, then the members of the panel will appoint one.

**e. Changes to the panel**

The Chairman of the Board has the authority to replace a member of the panel if in his opinion this is necessary for the clarification of the dispute to continue effectively and he also has the authority to transfer the dispute to a different panel.

**f. Bringing a dispute to clarification – request and response**

- a) The process of bringing a dispute to clarification will begin with a request from one side (hereafter: the requesting party) to the Coordinator to appoint a panel of clarifiers or with the notification of an agreed-upon panel, as stated in Clause d above.
- b) Together with the request, the requesting party will submit the material required for the clarification of the dispute (including his position and its arguments) in writing to the Coordinator and the other party (hereafter: the respondent).
- c) The respondent will submit his argued response in writing to the Coordinator and the requesting party within three days of receiving the request.
- d) If the dispute has been transferred to clarification following notification to the Coordinator of an agreed-upon panel, the request and response will be submitted to the Coordinator and the parties on the receipt of the notification.
- e) The request and the response will be submitted to the Coordinator in four copies (of which three are intended for the clarifiers).
- f) The Coordinator will transfer the request and the response to the members of the panel in a “Dispute File” and will assign it a file number.

**g. Convening the panel and inviting the parties**

The Coordinator will determine the time and place for the panel to meet and will provide early notice of the meeting to the parties. In the case of an agreed-upon panel, the Chairman of the panel has the authority to set the time and place of the panel’s meeting and to invite the parties.

**h. Additional meeting of the panel**

The panel will endeavor to decide the matter within one meeting. In special cases, when a decision cannot be reached, the chairman of the panel will – prior to the conclusion of the first meeting – decide on an early date for an additional meeting to complete the clarification.

**i. Clarification in the presence of only one side**

In the case that a response is not received, as specified in Clause f(c) above, or the party is not present before the panel on the date specified, the panel will have the authority to decide the dispute on that date or on another date that it will determine.





**j. The Dispute File**

- a) All the material brought before the panel will be contained in a Dispute File, which will also contain the protocol of the panel meeting.
- b) The Chairman of the panel will see to it that a protocol is recorded which includes the main points of the dispute, a summary of the arguments of each side, the conclusions of the panel and its decision. The Coordinator will present a copy of the protocol to each side on request.
- c) Neither the request nor the response in the protocol nor the Dispute File will include information that violates banking confidentiality.

**k. Acceptance of the panel's decision**

The members of the Clearing House will accept the decision of any panel to which a dispute between them is brought for clarification. Nonetheless, it is hereby clarified that the procedure in this section should not be viewed as agreement to engage in legal clarification.

**l. Additional clarification by a special panel**

The decision of a panel is final.

In special cases, which will be considered as exceptions, the Chairman of the Board will have the authority to bring a dispute for additional clarification before a special panel that he will convene.

**m. The procedures for discussion in the panel and for initiating clarification**

The Chairman of the Board has the authority to determine the panels' procedures for discussion and additional procedures for bringing a dispute before a panel for discussion.

**n. Proposals for changes in the rules**

On the basis of its experience in arbitrating the disputes, each panel can propose changes in the Clearing House rules to the Chairman of the Board.

**o. Publication of the highlights of the clarification**

The Chairman of the Board has the authority to publish the panel decisions.

**p. The authorized court**

An Israeli court is that authorized to discuss claims between the members of the Clearing House regarding a matter regulated by the Clearing House rules.

**q. Application of foreign law**

In cases of clarification between members of the Clearing House in any forum whatsoever and with regard to a matter governed by the Clearing House rules, the members will not claim – and it will not be claimed on their behalf – that foreign law is applicable to the dispute.



## **SECTION 208 – PAYMENT FOR LATENESS/DELAY**

### **a. Payment for lateness/delays at clearing sessions**

1. The Supervisor has the authority to impose payment on Clearing House members as follows:

(a) For a delay in the clearing process for any reason that is related to the activity of the Clearing House member during the session:

1. Late by 10 minutes or more after the set time – NIS 500.
2. Late by one hour or more after the set time – NIS 1,000.

(b) For lateness in presenting receivables/transmitting settlement of accounts files after the time set for one of the sessions:

1. Late by 10 minutes or more – NIS 250.
2. Late by one hour or more – NIS 500.

Lateness of up to one hour will not be considered as such if it was reported and approved by the Supervisor ahead of time.

2. The instructions of this clause are not to be interpreted as permission to be late or not to appear at the Clearing House in exchange for payment due to lateness (hereafter: the payment).

### **b. The decision of the Supervisor**

In a case in which the Supervisor has decided to impose a payment on a member, he will prepare an appropriate debit notification to debit the relevant member and it will specify the circumstances and reasons for imposing the payment. The Supervisor will notify the executive of the relevant bank of the imposed payment.

A member has the right to appeal the payment imposed on him. The appeal will be submitted to the Chairman of the Board and his decision will be final in the matter.

### **c. Donation of the payment**

The aforementioned payments will from time to time be donated to a cause to be decided on by the Board of the Clearing House.



## **SECTION 209 – STATISTICS**

Each member of the Clearing House will on the 20<sup>th</sup> of each month report on all the manual receivables that he has received by means of Form 416. The report will include the number and total amount of manual receivables (debits and credits separately) received via the Clearing House on that date. If the 20<sup>th</sup> of the month falls on a non-business day, Shabbat eve or a holiday eve, then the statistical data on manual receivables will be submitted for the first subsequent business day. The report will be submitted to the Supervisor not later than the end of seven business days after the end of the reported month.



## **SECTION 210 – CHANGES IN THE CLEARING HOUSE RULES**

### **a. Proposals and decisions regarding changes to the rules**

1. The Clearing House Board will from time to time discuss proposed changes in the Clearing House Rules and will decide to accept or reject the proposals or any other decision. If the Clearing House Board does not specify a date, then the change will go into effect at the end of 30 days from the date of the decision. Notwithstanding the aforementioned, in urgent circumstances, the Clearing House Board has the authority to decide that a change will go into effect immediately or sooner than the aforementioned date.
2. When a member of the Clearing House receives notification of the aforementioned proposed change, he has the right to submit comments, criticisms or reservations in a written notice that will be submitted to the Chairman of the Clearing House Board within 14 days of its receipt.
3. If the Chairman of the Clearing House Board does not receive comments, criticisms or reservations from any of the Clearing House members within 14 days of receiving the notice, the proposed change will take effect as a decision of the Clearing House Board.
4. If comments, criticisms or reservations are submitted by a member of the Clearing House within the abovementioned 14 days, they will be discussed by the Clearing House Board and it will decide if the proposed change will be accepted as a decision of the Clearing House Board or will be modified or that any other appropriate decision will be accepted, all according to the discretion of the Board.
5. The decisions of the Clearing House Board regarding changes in the Clearing House rules must be passed by a majority of at least nine Board members.

### **b. Announcement of changes**

1. The Chairman of the Clearing House Board or the Secretary will publicize the text of the change as decided upon by the Board. Starting from the date the decision goes into effect, as described in Claus a.1 above, the change will be considered as an integral part of the Clearing House rules and will obligate all its members.
2. The text of the aforementioned change will be published in a bulletin or by email, as decided by the Chairman of the Clearing House Board.



## **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:<sup>1</sup>
  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.

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



## SECTION 212 – CLEARING OF PROMISSORY NOTES

1. Clearing note	A promissory note which bears a specific redemption date and is presented for redemption through a Clearing House member.
2. The collecting bank	A Clearing House member who holds a clearing note.
3. The receiving bank	A Clearing House member to whom the collecting bank sent the clearing note for collection.
4. Clearing days	As defined in Section 201 Clause a.
5. Redemption date	The date of redemption appearing on the clearing note; however, if it is not a business day as defined in the Notes Regulations (new version) the redemption date will be the first subsequent business day.

### **b. Sending the note for collection**

A clearing note will be sent for collection from the collecting bank branch to the receiving bank branch by registered mail or direct delivery not earlier than 30 days prior to redemption and not later than 10 clearing days before the redemption date.

### **c. The place of payment**

1. If the cleared note specifies a particular branch of the receiving bank as the place of payment, in the format appearing below, the collecting bank will deliver the clearing note to that branch directly, as described in Clause b. above.

The location of payment will be signified thus:

Place of payment, in the _____ branch of Bank _____
-----------------------------------------------------

2. On a clearing note that specifies the place of payment, as described in Clause c.1 above, the number of the account of the signer at the receiving bank branch will appear in the margin. It will be worded as follows:

Note: Signer's account number _____
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3. Notwithstanding the aforementioned, the absence of the account number or an inaccurate account number will not prevent the processing of the clearing note according to the instructions of this branch.
4. Notes that specify a Postal Bank account as the place of payment will be sent for collection to the Postal Bank Center in Jerusalem only.

### **d. Clearing after the date of redemption**

A clearing note whose redemption date has passed can be cleared according to the procedures in this section on the condition that 6 months have not elapsed from the specified redemption date until it is sent to the receiving bank branch.

### **e. Preparation of the notes to be sent**

1. A standard collection form will be attached to each cleared note and will state the name and identity number of the receiving branch.





2. Clearing notes that are designated for the same branch of the receiving bank will be organized into one package by the collecting bank and a form listing those notes and a confirmation of receipt form will be attached to it.

**f. Receipt of a package of notes**

1. The branch of the receiving bank will confirm receipt of the clearing notes to the collecting bank on the day of the receipt by means of a confirmation of receipt form.
2. The receiving branch will sign the notes on receiving them.
3. If the branch of the receiving bank finds one of problems listed below in the clearing note form, he will return the note on the day it is received to the branch of the collecting bank (by registered mail or direct delivery), with an accompanying letter that describes the problem.
4. The problems are as follows:
  - The signature of the note's signer is missing.
  - Place of payment is a different bank/branch.
  - Text does not correspond to numerals.
  - Expiry (six months from the date of redemption).
  - Absence of an endorsement or a problem with it.
  - Signature(s) are not present beside a correction.
  - The name of the redeemer is missing.
  - Not stamped according to law.

**g. Date of clearing**

1. The clearing of a clearing note whose date of redemption has not yet arrived will be carried out on the date of redemption while the clearing of a clearing note whose date of redemption has passed (as described in Clause d. above) will be carried out on the tenth clearing day following the date it was sent, according to the instructions of Clause e. below.

For a note whose date of redemption has passed, the collecting branch will record the date on which it will present the debit notice in the following format:

The debit notification will be presented on: _____
----------------------------------------------------

**h. Presentation of debit notices**

1. On the redemption date of a clearing note the collecting bank will present a notice of debit to the receiving bank (as a clearing receivable in Session 1) for the clearing note (hereafter: the debit notice).
2. A debit notice that relates to a clearing note whose date of redemption has passed (subject to what is stated in Clause d. above) will be presented by the collecting bank to the receiving bank as described in Clause f.1 above. However, this is to be done not at the time of redemption but rather on the tenth clearing day following the date the clearing note was sent to the branch of the receiving bank (not including the day on which it was sent).



**i. Return of notes**

1. A receiving bank that is not prepared to clear a clearing note due to one of the reasons listed below, will return it to the collecting bank via the Clearing House in Session 1. Following are the reasons for returns:
  - Please contact signer
  - The signature of the note creator is not in order.
  - Our signature sample is in Hebrew/Latin letters.
  - The amount of the debit does not correspond to the amount appearing on the summation printout.
2. The receiving bank, which is returning a clearing note, as described in Clause i.1 above, will specify the reason for the return on the debit notice of that note. He will stamp the notice with the Clearing House stamp and return it together with the clearing note.

**j. Return of debit notices**

1. If a debit has been presented to the receiving bank (as described in Clause h. above) in one of the cases described below, the receiving bank will return it to the collecting bank via the Clearing House (as described in Clause i.1 above), together with a return form and without the relevant clearing note.

Following are the cases:

  - The clearing note is not in the possession of the branch of the receiving bank.
  - The debit notice was presented too early.
  - The debit notice is designated for a different bank/branch.
2. If a clearing note was sent less than 10 clearing days before the date of redemption (as described in Clause b. above), the collecting bank will have the right to present the debit notice on the tenth clearing day following the day on which the clearing note was sent (not including the day on which it was sent). If the collecting bank has presented the debit notice prior to the end of the aforementioned 10 clearing days, the receiving bank will handle it as described in Clause j.1 above and will keep the clearing note in its possession for purposes of collection.

The collecting bank will present the debit notice a second time on the tenth clearing day following the day on which the clearing note was sent, as described above.

**k. A note for which a debit notice was not presented**

If a branch has received a note for collection and did not receive a debit notice by the end of 7 days from the date of redemption appearing on the note, it will notify the collecting bank of such, whether the signer has redeemed the note or not.



## **SECTION 213 – CLEARING OF DEBITS AND CREDITS**

### **a. Standing order**

1. A Clearing House member has the right to present standing orders that are designated for the customers of another Clearing House member only via the ACH, as described in Section 217.
2. In this context, a “standing order” is a debit initiated by a third party (the credited party) as part of a fixed arrangement with the bank, according to which the debited party provides the bank with prior authorization to debit his account from time to time according to the notification of the credited party.

### **b. Clearing a list of credits**

1. The Clearing House member has the right to return a credit which he is not prepared to accept for the reasons listed in Appendix 305 b. “Reasons for Returning Credits”.
2. The credit will be returned in Session 1 no later than one business day following the date of the credit.



## **SECTION 214 – ENDORSEMENT OF CHECKS**

### **a. One endorsement**

1. If a check has only one endorsement, the collecting bank is responsible to the drawee bank (which is making the payment) that the check is deposited in an account at the collecting bank that bears the name which is expected to be that of the redeemer.
2. Notwithstanding what is stated in Section 206 above, in the case that a check with only one endorsement is deposited at the collecting bank and not into the account that bears the name which is expected to be that of the redeemer, the drawee bank will have the right to return it within 60 days of the day on which the check was presented to him at the Clearing House.

### **b. Lack of endorsement**

1. A check that is missing the endorsement of the redeemer will be redeemable by the drawee if it bears a stamp containing the name of the presenter underneath the words “Account of the redeemer has been credited” and this applies to the endorser in the last special endorsement. The presenter will be responsible for the crediting of the account of the redeemer or the endorser.
2. If the check bears wording, either on the front or on the back, that it has been received, the approval of the presenter for the crediting of the redeemer’s account will not be sufficient and the signature of the redeemer himself will be required underneath the wording that it has been received unless the redeemer of the check is the bank that presented it.

### **c. “Credit account in bank X”**

In the case that a check bears an endorsement or a special cross with the addition of the words “Credit account at bank X”, then the stamp of that bank will be sufficient and there is no need for the confirmation that he has credited the account.

### **d. Endorsement or special cross to a particular bank**

If a check bears an endorsement or special cross, on the front or the back, to some particular bank, no other bank has the right to collect it, unless as a collection agent of the bank to which the check has been endorsed or crossed.

### **e. Endorsement of an individual who cannot write**

An individual who is unable to write and who presents a check for redemption will endorse it with his fingerprint on the back of the check. The bank collecting such a check will add the name of the endorser and will obtain the signature of a witness to the fingerprint. A bank clerk can serve as a witness.



## **SECTION 215 – MAGNETIC COLLECTION CREDITS**

### **a. Introduction**

Certain payments can be made at various banks using magnetic collection coupons to credit beneficiaries who come to an arrangement with the banks in this matter.

### **b. Standard for collection coupons**

Credit notices that serve as collection coupons for payment in the banks will fulfill Standard 508 appearing in Section 500.

The Standard relates to a credit notice that is used as a collection coupon for payment at a bank. It does not relate to documents accompanying the credit notice which serve as a notice to the payer, as a receipt, etc.

### **c. Report to beneficiaries**

1. The beneficiaries will receive the credit notices from the collecting banks together with the magnetic file.
2. Incorrect credit notices that are rejected by the check reader (rejects) will be delivered separately to the beneficiaries together with a file summarizing the amounts of the payments.



## **SECTION 216 – SPECIAL AUTHORITY DURING AN EMERGENCY**

If in the opinion of the Chairman of the Clearing House Board an emergency situation has been created that does not facilitate the operation of the Clearing House according to existing rules and procedures, he has the authority to issue a temporary directive regarding the dates and locations of clearing. The Chairman of the Clearing House Board will operate according to the circumstances, while consulting with the banks to whatever extent possible.



## **SECTION 217 – CLEARING VIA THE ACH**

### **a. Presentation of receivables through the ACH**

The presentation of receivables through the ACH requires agreement between the presenting Clearing House member and the ACH according to the prevailing conditions at the ACH.

### **b. Presentation for the purpose of receiving receivables**

1. For the purpose of clearing receivables through the ACH, a Clearing House member has the right to be represented by another member (a representative). The represented member will submit a request to the Clearing House Board together with the agreement of the representative. Once the request is approved, the Chairman of the Clearing House Board will notify the Clearing House members of such not later than 30 days from the start of the representation.
2. Representation will not be terminated except with the approval of the Chairman of the Clearing House Board starting from the date to be determined as part of the approval. Notification of such will be sent to the Clearing House members not later than 30 days from the date of termination.
3. Appendix 302 contains a list of the representative and represented members in clearing via the ACH.

### **c. Clearing of receivables via the ACH and the settling of accounts**

1. Cleared debits or credits (hereafter: receivables) via the ACH will be transmitted magnetically or electronically, as agreed upon between the member and the ACH.
2. The ACH has the right to transmit the following receivables to a Clearing House member in one or more files:
  - a. Receivables for the crediting and debiting of customers for which the clearing day is the value date. The settlement in the RTGS system will be done on the clearing day (clearing of organizations).
  - b. Receivables for the crediting or debiting of customers for which the following clearing day is the value date. Settlement in the RTGS system is carried out on the following clearing day (early clearing of credits).
  - c. Receivables for the crediting or debiting of customers for which the clearing day is the value date. Settlement in the RTGS system will be carried out on the following clearing day (bank clearing).
  - d. Receivables for the crediting and debiting of customers as a result of the clearing of returned debits and credits. These entries will be made with the value date of the original credit or debit entries. Settlement in the RTGS system will take place on the following clearing day.
3. After the data has been processed by the ACH, the net total will be cleared in the member's account in the RTGS system at the Bank of Israel, in accordance with the rules of the RTGS system.



**d. Return of receivables cleared through the ACH**

1. A member of the Clearing House has the right to return a standing order debit which he is not prepared to honor for one of the reasons for return in the ACH that are listed in Appendix 305 Clause b. of the Clearing House Rules.  
The debit will be returned not later than 5 banking business days after the date of the debit. The return of the debit will be carried out by means of a file as described in Standard 505 "Return of debits from banks to the ACH".

A Clearing House member has the right to return a credit that he is not prepared to accept for one of the reasons listed in Appendix 305 Clause c. The credit will be returned directly to the presenting bank not later than 2 banking business days following the date of the credit as a non-magnetic credit receivable with Form 402.

**e. Failure of clearing**

1. If one of the members does not have a sufficient balance in his account in the RTGS system to cover his obligations in the Clearing House, the failure arrangement will be activated subject to the conditions listed in Appendix 8(3) of the RTGS rules.
2. If the failure arrangement is not activated or if the account balance of the member in the RTGS system after activating the failure arrangement is still not sufficient for clearing, the Bank of Israel has the authority not to implement settlement in the RTGS system. Thus, the Bank of Israel has the authority to mandate that the ACH return the receivables – all or part of them – of the Clearing House member who failed, while specifying the reason for the return.





## SECTION 218 – CLEARING OF CHECKS IN FOREIGN CURRENCY

### a. Definitions

In this section – Banking business day	As defined in the Banking Regulations (Customer Service) (date of credit and debit for checks), 1992.
Foreign currency business day	Banking business day on which credits and debits are made in the bank's accounts in the foreign currency in which the check is denominated.
Check	A check whose amount is denominated in foreign currency and is drawn on a local bank branch (including the local branch of a foreign bank) and presented by a different local bank in Israel (including the local branch of a foreign bank).

### b. Application

1. The Clearing House rules will apply to the clearing of checks in foreign currency subject to what is stated in this section and as long as there is no contradiction between what is stated in this section and the other sections.
2. The list of banks participating in the arrangement appears in Appendix 307.
3. Despite the above, the guidelines in this section do not apply to checks drawn on bank branches in the Diamond Bourse (special Diamond Management Accounts) and presented in those branches (detailed in Appendix 308).

### c. Preparation of checks for clearing

1. The presenting bank will stamp the check with a clearing stamp that bears the date of the check's presentation to the Clearing House.
2. The checks will be sorted into groups according to type of currency. A payment request for the total amount will be attached to each group/currency.
3. The payment requests will be worded according to Form 309.

### d. Management of clearing and settling of accounts

1. Presentation of the check: The presenting bank will present the checks to the drawee bank using a daily courier route that includes the headquarters of each bank. The courier route will handle all relevant material, including letters of indemnity, etc.
2. Receipt of checks at the headquarters of the drawee banks: The headquarters of the drawee bank will confirm the receipt of the receivables from the courier with a "Received" stamp, as described in Appendix 310. The stamp will constitute written documentation in determining the value date for the receipt of checks at the headquarters of the drawee bank as the date of the receipt of the checks, as specified in the following:
  - (a) All the material related to checks that arrives at the headquarters of the drawee bank by 12:00 on that banking business day (hereafter: the date of delivery)<sup>1</sup> will receive a "Received" stamp of that day and the value

<sup>1</sup> On Fridays and holiday eves until 11:00 and on Rosh Hashana eve until 10:00.



date for the receipt of the checks at the headquarters of the drawee bank will be the date appearing on the stamp.

- (b) Material that arrives at the headquarters of the drawee bank after the delivery time will be stamped as "Received in the afternoon" as described in Appendix 310 and the value date for the receipt of the checks at the headquarters of the drawee bank will be the following banking business day.
3. Settling of accounts and credit dates: The headquarters of the drawee bank will credit the headquarters of the presenting bank for the total amount of the checks approved for payment according to currency and according to the payment request. The amount of the credit will equal the amount appearing on the payment request, less the amount of the returned checks.  
The headquarters of the drawee bank will send a credit notice to the presenting bank stating that the bank account of the presenting bank at the correspondent bank has been credited by means of Swift.  
The credit will be sent by Swift on the fourth foreign currency business day after the banking business day on which the checks were received at the headquarters of the drawee bank.  
The value date of the credit at the presenting bank and the debit of the drawing bank will be according to the type of currency as follows:
    - (a) US dollar – the date on which the credit was sent by Swift.
    - (b) Other currencies – the foreign currency banking day following the date on which the credit was sent by Swift.

#### **e. Returns**

1. If a bank is not willing to honor a check in foreign currency presented to it for any of the reasons listed in Appendix 305 Clause e., he has the right to return it while specifying the reason for the return (and if there is more than one reason, then specifying all the reasons).
2. A bank has the right to return a check in foreign currency up to 6 banking business days from the day the check is received at the headquarters of the drawee bank and on the condition that it has given notification of the return by fax and telephone to the presenting bank up to 4 foreign currency banking business days from the day that the aforementioned check was received.
3. Notification of delays (as described in Section 206 of the Clearing House Rules) will be delivered to the clarification desks.

#### **f. Lack of correspondence in presentation**

1. Missing check
  - (a) The drawee bank that receives a payment request without the check will notify the presenting bank of the problem on that same day by telephone and fax.
  - (b) The drawee bank will prepare the return form in the amount of the missing check. In addition, it will request (on the form) that the presenting bank present a letter of indemnity for the missing check according to the text of a standard letter of indemnity, as described in Appendix 311.  
If a signed letter of indemnity is presented by an authorized manager for the aforementioned missing check, the letter of indemnity will be



considered as a clearing receivable in foreign currency and the count of days for purposes of credit and return will begin from the day on which the letter of indemnity is received at the headquarters of the drawee bank.

2. Surplus check

(a) The recipient of a surplus check that is not intended for him and is not included in the payment request will notify the presenter of such by telephone on the same day and will arrange with him the return of the check. The check will be returned together with the form appearing in the appendix to the Clearing House Rules and the date of its receipt will be specified.

(b) The recipient of a surplus check that is intended for him and which is not included in the payment request will notify the presenter of the problem by telephone and fax on that same day and will request from the presenting bank that it present a payment request for the surplus check.

The counting of the days with regard to the crediting and return of a surplus check which is intended for its recipient will begin from the day on which the check is received at the headquarters of the drawee bank (and not on the day that the payment request is received).

3. Non-identical amounts

A drawee bank that receives a check whose amount is not identical to the amount of the payment request will send a copy of the check by fax to the presenter and will notify him on that same day that the total credit or return will be carried out according to the amount of the original check.