



Directive 2—Information and Reporting from Controlled Payment System and Designated Controlled Payment System

1. Introduction

In accordance with the provisions of Sections 12 and 17 of the Payment Systems Law, 5668-2008 (hereinafter: “the Payment Systems Law), the Governor, or a person deputized thereby for said purpose, may demand that the operator of a controlled payment system or a designated controlled payment system, and of those participating therein, to share any information or document for the purpose of implementing the provisions of the Payment Systems Law and for the collection and processing of statistical information.

This Directive regulates the array of reports by payment-system operators to the Payment Systems Oversight Unit at the Payment and Settlement Systems Division of the Bank of Israel, in regard to both ongoing reports and special reports.

2. Definitions

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| “Payment system” and “controlled payment system” - | As defined in the Payment Systems Law ; |
| “Payment-system operator,” or “system operator” - | The operator of a controlled payment system or a designated controlled payment system; |
| “Payment Systems Oversight” or “Oversight” - | The Payment Systems Oversight Unit at the Payment and Settlement Systems Division of the Bank of Israel; |



“Banking business day” -

As defined in the Banking
(Service to Customer)
(Interest Calculation
Methods) Directives, 5751-
1990

“Exceptional event” -

An event that deviates from
the framework of ongoing
payment-system activity and
may affect sound and
ongoing payment-system
activity; **Appendix E** of this
Directive gives several
examples—that are not an
exhaustive list—of
exceptional events in a
payment system;

“Participant in a payment system” -

One who is defined as a
participant under the rules of
the system;

“System rules”-

The rules by which the
payment system operates;

3. Incidence

3.1 This Directive shall apply to the operator of any 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. Reported information

- 4.1 Reportage on payment-system activity shall make reference to all aspects of payment-system activity, including legal, business, and operating aspects.
- 4.2 Reportage on payment-system activity shall be presented ex ante, on an ongoing basis, and ex post.
- 4.3 It is stated for clarity that the compulsory reportage set forth in this Directive also applies in a state of emergency unless otherwise stated. Insofar as Oversight approves the suspension of ongoing reportage, in full or in part, the payment-system operator shall make up the suspended reportage after the state of emergency ends.

5. Date of reportage

- 5.1 **Reportage after declaration of payment system**—if a payment system under the Payment Systems Law is declared, its operator, no later than ninety calendar days after said declaration, shall forward general information about system operation with reference, inter alia, to the details appearing in Appendix A of this Directive.
- 5.2 **Reportage per demand**—a system operator shall forward additional general information about payment-system operation in accordance with the details appearing in **Appendix A** of this Directive, per demand.
- 5.3 **Annual reportage**—by March 1 of each year, the system operator shall forward information about system activity in the previous year as of the reporting date and plans for the coming year, with reference, inter alia, to the details appearing in **Appendix B** of this Directive.
- 5.4 **Monthly reportage**—after the end of each month and by the fifteenth of the succeeding month, the system operator shall forward statistical information about system operation, in a format that shall be determined, with reference to the details appearing in **Appendix C** of this Directive.



5.5 Special reportage

5.5.1 **Immediate reportage of exceptional event**—said report shall be presented within a reasonable time from the moment the occurrence of the event is known, and no later than the end of the banking business day on which the event is known, and also on any day thereafter by 12:00, as long as the treatment of the event and its implications have not yet ended.

5.5.2 **Detailed reportage of exceptional event**—said report shall be presented no later than thirty days after the date of immediate reportage about the exceptional event.

5.5.3 **Reportage of exceptional events that may affect system activity**—said report shall be presented to Oversight by the end of the banking business day on the day after the day on which the event is known.

5.6 **Update reportage**—the system operator shall report within thirty calendar days on any material change and/or material update in the information that he or she forwarded under the provisions of Sections 5.1–5.5 above.

6. Forwarding information to the Bank of Israel

6.1 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.

6.2 The information in this Directive shall be forwarded by the system operator to the contact persons that Oversight has appointed for this purpose.

6.3 A system operator who forwards information under this Directive shall ascertain receipt of the information by the contact persons set forth in Subsection 6.2 by telephone or by electronic mail from said contact persons, confirming receipt of the information.

6.4 In sections in which the information is irrelevant for the activity of the reportee, the expression “Not applicable” shall be noted.



6.5 Reports to Oversight shall be presented in the form of a digital document and not in handwriting.

6.6 Reports shall be presented by the deadlines established for each report. 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 postpone the deadline for the presentation of the report. Said request shall include, *inter alia*, the actions taken up to said request for postponement, the reasons for requesting the postponement, and the requested target date for the presentation of said report. A report presentation for which postponement 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 |
|-----------------------------|---------------------------|
| November 20, 2016 | Promulgation of Directive |
| December 24, 2018 | Update |



| Appendix A—General Information about Payment System Activity—per Demand | | |
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| Wherever the information is irrelevant for payment-system activity, the initials NR shall be noted and the reason for its being irrelevant shall be given. | | |
| | | Type of information |
| 1.1 | Legal basis | Details of the existing legal basis that applies to the system and its participants, including: <ul style="list-style-type: none"> a. legislation (statutes, bills); b. directives and regulations; c. system rules; d. international standards and accepted practice; e. agreements with participants, service providers, and others vis-à-vis whom the system operates. |
| 1.2 | Internal organizational structure | <ul style="list-style-type: none"> a. A general organizational structure chart, including reference to the duties and responsibilities of each function in the organization; b. description of the system’s ownership structure (names of shareholders and percent of control). |
| 1.3 | System operator | <ul style="list-style-type: none"> a. List of officials’ system access authorizations and officials’ responsibilities in ordinary times and in emergency; b. operations room/system hotline: <ul style="list-style-type: none"> 1. activity hours, shift hours, number of staff per shift, and number of backup personnel; 2. operators’ authorizations and responsibilities including role, term of service, and staff member’s training c. IT department: |



| Appendix A—General Information about Payment System Activity—per Demand | | |
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| | | <ol style="list-style-type: none"> 1. availability of support for ongoing system operation / in exceptional events, for backup needs, and in emergencies; 2. specialization: additional responsibilities and duties of support staff for system operation. |
| 1.4 | Arrangements/procedures associated with routine and emergency system activity | Arrangements and procedures (internal and external) for routine and emergency activity of the system and other players in the organization (e.g., IT). |
| 1.5 | System structure at main site | <ol style="list-style-type: none"> a. System infrastructure, including a diagram of system components; b. system architecture; c. the system’s development company—is the system an off-the-shelf product? /a development? System application—type of application, description of types of system modules; d. physical infrastructures; e. launch systems; f. services associated with system activity that are outsourced; g. backup infrastructure at main site. |
| 1.6 | System structure at backup site | <ol style="list-style-type: none"> a. Location of backup site and distance from main site; b. availability of backup site; c. system infrastructure including diagram of system components; d. type of backup between main site and backup site; |



| Appendix A—General Information about Payment System Activity—per Demand | | |
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| | | <ul style="list-style-type: none"> e. time of construction of system at backup site and of launch systems; f. list of staff members authorized to use backup site; g. physical infrastructures; h. launch systems of payment system; i. services associated with system activity that are outsourced. |
| 1.7 | Risk management policy | Description of the risk management policy |
| 1.8 | Business continuity | <ul style="list-style-type: none"> a. Description of the business continuity policy, including procedures and rules for management of failures and crises; b. description of payment system’s business continuity plan, with reference to all players (internal and external) involved in the process. |
| 1.9 | Participants in the system | <ul style="list-style-type: none"> a. Description of interfaces and links to additional payment systems; b. participants in the system (how many, of what type, and their characteristics); c. criteria for participation in the system; d. criteria for participant’s leaving the system; e. criteria for participant’s suspension from system; f. criteria for participant’s reinstatement after suspension; g. availability of the foregoing criteria to system participants and the public at large. |
| 1.10 | Payment-system activity | <ul style="list-style-type: none"> a. Days and hours of system activity; |



| Appendix A—General Information about Payment System Activity—per Demand | | |
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| | | <ul style="list-style-type: none"> b. description of all types of activity and transactions and their characteristics in the system; c. description of system participants’ accounts and their characteristics and/or identifiers of their activity in the system; d. settlement window hours and settlement cut times; e. description of settlement/clearing mechanism; f. standard for messages sent to system; g. description of links and tools available to participants for management of their activity in the system. |
| 1.11 | Costs of system use | <ul style="list-style-type: none"> a. Cost of system design and construction; b. system operator’s costs (divided into direct and indirect costs); fixed and variable costs, and revenues—current, upgrade, development, load, miscellaneous, and nonrecurrent; c. breakdown of profit / loss from system operation; d. itemization of fees charged to system participants: date, term, and method of collection; e. availability of system use-rate schedule to system participants and the public at large. |
| 1.12 | Information security in system and related systems | <ul style="list-style-type: none"> a. Description of policy and preparedness for information security incidents; b. Information security procedures; c. Details of system information security at technological and physical levels. |



| Appendix A—General Information about Payment System Activity—per Demand | | |
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| 1.13 | Governance | <ul style="list-style-type: none"> a. Description of Board of Directors and senior management responsibilities; b. description of Board of Directors and senior management activity; c. minutes of Board of Directors meetings. |
| 1.14 | Collateral and line of credit for system participants | <ul style="list-style-type: none"> a. collateral and credit line given to every system participant; b. type of collateral and credit line (securities, bonds, etc.); c. description of where collateral is deposited; d. central-bank limitations on issuance of credit; e. collateral management system; f. method of realizing collateral. |
| 1.15 | Investment and collateral management | <ul style="list-style-type: none"> a. description of system operator’s investment and collateral management system; b. itemization of all investments and collateral deposited with system operator by system participants. |
| 1.16 | Internal / external audit reports | <ul style="list-style-type: none"> a. Reports of internal / external audits performed by internal audit and/or other external player; b. program of internal and/or external audit of system activity. |



| Appendix B—Annual Information about Payment System Activity | | |
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| | | Type of information |
| 2.1 | Insertion of updates in the system | <p>a. Summary of major software upgrades / hardware replacements in the system or related systems during the activity year;</p> <p>b. presentation of major software upgrades / hardware replacements in system or related systems that are planned for the upcoming activity year;</p> <p>c. outcomes, events, and conclusions from performance of major upgrades / replacement of system hardware.</p> |
| 2.2 | Business plan | Business plan for system activity in the coming year. |
| 2.3 | Risk management | Reportage of status, followup, and handling of the annual risk-management plan. |
| 2.4 | System availability | <p>A report specifying system availability for performance of various actions during system hours of activity, including:</p> <ol style="list-style-type: none"> 1. date and duration of exceptional (business and technical) events; 2. disablement of system and related systems that prevents system participants from operating in the system. |
| 2.5 | Exceptional events report | A report that summarizes all exceptional events that affected or may have affected system activity during the past year. Said report shall include specifics of said events with reference to the details of each event as shall be determined by the Bank of Israel in conjunction with the system operator. |



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| <p>2.6</p> | <p>Business continuity</p> | <p>a. Plan and schedule for check of preparedness for emergency of payment system, related systems, and vis-à-vis system participants;</p> <p>b. Insofar as the payment system is a participant in another payment system or is a launch system of another payment system, reference to business-continuity tests of said payment systems shall also be made.</p> <p>c. outcomes of checks and conclusions drawn;</p> <p>d. updates of schedules (if any) for business-continuity plans.</p> |
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| <p>Appendix C—Monthly Information about Payment System Activity</p> | | |
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| | | <p>Type of information</p> |
| <p>3.1</p> | <p>Statistical data</p> | <p>Statistical data relating to system activity. This report shall be performed in a fixed format (Word, Excel, other) that Oversight shall determine in conjunction with the overseen system.</p> |
| <p>3.2</p> | <p>Business and technical malfunctions</p> | <p>A central report on the status of treatment of exceptional events (business-related, operational, infrastructural, applicational) discovered in the course of system activity in the reporting month, that affected or had the ability to affect sound system operation, and the outcomes of learning from said events.</p> |

| <p>Appendix D—Special Reports on Payment System Activity</p> | | |
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| | | <p>Type of information</p> |
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| <p>4.1</p> | <p>Exceptional events that affected system activity¹</p> | <p>Immediate reportage—information about exceptional events that, in the reasonable judgment of the system operator, are affecting sound and ongoing activity of the payment system. Said reportage shall include the circumstances of the event, actions taken by the system operator to deal with the event, implications of the event, and the risk that the event poses to the system.</p> <p>Detailed reportage—for exceptional events reported in the immediate report, a detailed report shall be submitted including the details of the event, its outcomes, lessons learned, and actions taken to prevent a similar event in the future.</p> |
| <p>4.2</p> | <p>Exceptional events that did not affect system activity</p> | <p>Information about exceptional events that, in the reasonable judgment of the system operator, may have affected sound and ongoing activity of the payment system. This information shall include a description of the exceptional event, possible implications for system activity, description of the circumstances that kept the event from affecting system activity, and lessons learned and applied from the event.</p> |

¹ See examples of exceptional events in a payment system in Appendix E.



Appendix E—Examples of Exceptional Events in a Payment System

The examples presented below are *not* an exhaustive list of exceptional events in a payment system.

1. Communication malfunction or communication infrastructure failure that prevents sending / receipt of instructions to / from the system;
2. Business-related / operational / infrastructural / applicational malfunction in the system / a system participant that disrupts or may disrupt system activity;
3. Disablement of system or related system that prevents system participants from operating in the system.
4. Cessation / suspension of system activity;
5. Decision (before implementation) to launch a “new product”—a material new product, activity, or service, and also a material change in existing products, activities, or services, and entry into new markets²;
6. Technical malfunction at a participant in the system that prevents it from sending payment instructions to the system, of which the system operator is aware;
7. A cybernetic terror event or suspected terror event or a cyber attack against the system and/or the body in which the system operates;
8. Submission of an aberrant number of payment instructions to the system by a participant in the system;
9. Non-compliance by a participant with the system rules / with its agreement of participation in the system³;
10. A decision (before implementation) to block, suspend, or revoke the participation a participant in the system for any reason whatsoever⁴;
11. Filing of a lawsuit and/or a class-action suit against the payment-system operator and/or a staff member associated with payment-system activity;

² This event shall be considered one that requires reportage in accordance with Section 4.1 in Appendix D.

³ This event shall be considered one that requires reportage in accordance with Section 4.1 in Appendix D.

⁴ This event shall be considered one that requires reportage in accordance with Section 4.1 in Appendix D.



12. Occurrence of willful fraud and/or deception and/or sabotage by an employee of the system.

The translation is intended solely for the convenience of the reader. This translation has no legal status and although every effort has been made to ensure its accuracy, the Bank of Israel does not assume any responsibility whatsoever as to its accuracy and is not bound by its contents. Only the original Hebrew text is binding and the reader is advised to consult the authoritative Hebrew text.