



July 4, 2017

Summary of the Monetary Committee discussions and decisions on May 17, 2016 and June 20, 2017 regarding the agreement for liquidation of the assets of the Tel Aviv Stock Exchange clearing houses' risk funds

Monetary Committee decision:

The Committee members approved the principles of a new asset liquidation agreement for the Tel Aviv Stock Exchange (TASE) clearing house risk funds. The agreement was formulated by the Bank of Israel and the TASE clearing house and the Maof clearing house.

General background:

The previous liquidation agreement between the Bank of Israel and the TASE expired at the end of 2015.

During the course of 2015, the TASE approached the Bank of Israel with a request to make changes in the agreement.

Representatives of the Israel Securities Authority and the TASE worked with the Ministry of Justice to amend the Securities Law, 5728-1968, so that it would make it possible for the clearing houses to realize the collaterals through repo (or loan) transactions as opposed to through the sale of the assets.

In parallel, there were negotiations between the Bank of Israel and the TASE to formulate a new liquidation agreement, with the following main points:

- The possibility of realizing collaterals through repo transactions rather than through purchasing bonds;
- The order of realization—"loss waterfall": Assets of the failing entity will be realized first, then the clearing houses' equity, and finally Bank of Israel credit, instead of the "cash first" principle that was established in the previous agreement;
- Term of the loan—a maximum of a month;
- It was determined that the maximum amount for liquidation will be NIS 1 billion for the TASE clearing house's risk fund, and NIS 1.8 billion for the Maof risk fund. In addition, the Maof risk fund will be able to liquidate a maximum of NIS 2.3 billion in current collaterals;
- The haircut coefficients will be identical to those of the monetary loans (2–8 percent, depending on the bond type and duration);
- Interest on the loan—the interest of the loan window relevant for banks;
- Triggers for transferring current collaterals in respect of the loan will be set.

Participants in the discussion:

Members of the Monetary Committee

Dr. Karnit Flug, Governor of the Bank of Israel, and Chairperson

Dr. Nadine Baudot-Trajtenberg, Deputy Governor of the Bank of Israel

Prof. Reuben Gronau

Prof. Nathan Sussman

Other participants in the discussion:

Mr. Andrew Abir, Director of the Market Operations Department

Mr. Tal Biber, Head of the Markets Division, Market Operations Department

Mr. Hanoch Danenberg, Economist in Market Surveillance and Analysis Unit in the Market Operations Department (participated in discussion on June 20)

Mr. Daniel Hahiashvili, Chief of Staff to the Governor

Ms. Irit Mendelson, Director of the Accounting, Payment and Settlement Systems Department (participated in discussion on May 17)

Adv. Michal Sinai Liviatan, Assistant to General Counsel (participated in discussion on June 20)

Ms. Ronit Chitayate, Head of Payment and Settlement Systems Division (participated in discussion on May 17)

Ms. Mimi Regev, Head of the Market Surveillance and Analysis Unit in the Market Operations Department (participated in discussion on May 17)

Ms. Esti Schwartz, Secretary of the Monetary Committee and the Supervisory Council

Adv. Elitzur Weiser, Assistant to General Counsel