



**Summary of the Monetary Committee discussion held at the Bank of Israel
regarding the Bank of Israel (Information Regarding Securities Balances) Order**

The discussions were held on June 12, 2019.

Background:

Section 39(a) of the Bank of Israel Law, 5770-2010, (hereinafter, “the Law”) authorizes the Governor of the Bank of Israel, with the approval of the Monetary Committee, to establish by an Order, reporting requirements that apply to financial entities, in order to attain its objectives and discharge its functions; and Section 39(b) of the Law authorizes the Governor, with the approval of the Monetary Committee, to establish by an Order that classes of persons determined in the Order, shall provide information, as detailed in the Order, that is necessary for following developments in the foreign exchange market in Israel.

In June 2010, under the authority of Section 39(b) of the Law, Bank of Israel (Information regarding developments in the Foreign Exchange market in Israel) Order, 5771-2010 (hereinafter, “the 2010 Order”) was issued, which establishes a reporting requirement on information related to the foreign exchange market. This Order was imposed on Israeli residents, including financial intermediaries.

The Monetary Committee was asked to approve the Bank of Israel (Information Regarding Securities Balances) Order, 5779-2019, which establishes reporting requirements from financial intermediaries on balances of Israeli securities that they hold on behalf of nonresidents and on behalf of Israeli residents, as well as on foreign securities balances that they hold on behalf of Israeli residents. In addition, the Monetary Committee was asked to approve the deletion of Section 2(c)(2) of the 2010 Order.

Expanding the reporting requirements is an important addition to the national statistics within the framework of the Bank of Israel’s functions, and also will make it possible to comply with international requirements and standards.

Main points raised in the discussion:

The information that will be received as a result of the expansion of the reporting requirements is critical to the Bank of Israel for various needs, the main ones being: analysis of the public’s financial asset portfolio, while breaking down securities holdings by sector and by security type. This information will be published on the Bank of Israel website and in the Bank of Israel’s Annual Report; information on credit and debt in the economy, with a breakdown by sector and industry—from whom to whom; monitoring of financial stability, including preparing reports on the issue; information for the National Accounts (in collaboration with the Central Bureau of Statistics) in accordance with international standards.

In the discussion, the issue of protection of privacy was raised. According to the Order, the identity of an individual customer who holds NIS 400,000 or more of a security is to be reported. This is in order to identify parties at interest in companies and to prevent duplication in the data on the Israeli economy's assets and liabilities vis-à-vis abroad. Like in numerous countries in which databases of individuals' data are kept (i.e., Finland and Sweden), the identification will also help in carrying out research for monitoring financial stability. An assessment was presented, that the number of identified individuals is not large, and most of them are parties at interest (such as those holding 5 percent or more of the issued capital of a specific security) and therefore their holdings are identified on the Tel Aviv Stock Exchange (TASE) website (including name and ID number).

Committee members asked about information security, and were answered that the Bank of Israel receives other reports that include data on individuals, and that it has the means to protect the data. In addition, the Committee was told that the Information and Statistics Department received satisfactory answers from the Information Technology Department related to protecting the privacy of the information in databases that contain sensitive data.

Decision of the Monetary Committee:

The Committee members approved the Bank of Israel (Information Regarding Securities Balances) Order, 5779-2019.

The Committee members approved the deletion of Section 2(c)(2) of the Bank of Israel (Information Regarding Developments in the Foreign Exchange Market in Israel) Order, 5771-2010.

Participants in the discussion:

Members of the Monetary Committee

Prof. Amir Yaron, Governor of the Bank of Israel, and Chairperson

Prof. Reuben Gronau

Prof. Zvi Hercowitz

Prof. Moshe Hazan

Other participants in the discussion:

Liran Kalif, Head of Forex Market Unit, Information & Statistics Department

Yoav Soffer, Bank of Israel Spokesperson

Prof. Michel Strawczynski, Director of the Research Department

Adv. Yehudit Sirkis Daren, Assistant to Legal Counsel

Gaby Fiszman, Head of the Statistics Division and Deputy Director of the Information and Statistics Department

Dr. Eyal Rosen, Director of the Information and Statistics Department

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

Vered Tayar, Economist in Forex Market Unit, Information & Statistics Department

Prof. Amir Yaron, Governor of the Bank of Israel, and Monetary Committee Chairperson