



**Report of the Monetary Committee discussion
regarding a change in the composition of the foreign exchange reserves portfolio**

The discussions were held on November 13th and 20th, 2019.

Change in the composition of the reserves portfolio

Background:

The interest rate environment in the eurozone is expected to remain negative in the coming years, and to lead to the yield on some of the assets in the foreign exchange reserves portfolio being negative. The Market Operations Department presented the Committee with analysis that examined a range of alternatives that are expected to mitigate the impact of the negative yield of European bonds.

Monetary Committee decision:

The Committee approved the Department's recommendation to invest 3 percent of the reserves in a basket of assets of various countries and 1 percent of the reserves in equities in Germany and France, at equal proportions, instead of European government bonds. This change is expected to compensate for the negative return from the European bond portfolio and to increase the risk of the overall portfolio by 50 basis points, in CVaR terms. The change does not lead to a deviation from the limitations of the guidelines or from the limitations of the risk profile established by the Monetary Committee.

Participants:

Members of the Monetary Committee

Prof. Amir Yaron, Governor of the Bank of Israel and Chairperson
Mr. Andrew Abir
Prof. Reuben Gronau
Prof. Moshe Hazan
Prof. Zvi Hercowitz

Other participants

Prof. Michel Strawczynski, Director of the Research Department
Ms. Francoise Ben-Zur, Head of the Financial Division in Market Operations Department
Mr. Tal Biber, Head of Markets Division in Market Operations Department
Mr. Mickey Blank, Head of Dealing Unit in Market Operations Department
Ms. Guenia de Mayo, Market Operations Department
Mr. Amir Veler, Market Operations Department

Ms. Ketty Cohen, Market Operations Department
Mr. Mark Yohai, Market Operations Department
Dr. Golan Benita, Market Operations Department
Ms. Jenny Seri Levy, Market Operations Department
Mr. Oren Hades, Market Operations Department
Mr. Arad May, Monetary Committee and Supervisory Council Secretariat
Mr. Arie Knopf, Monetary Committee and Supervisory Council Secretariat
Mr. Eden Landau, Monetary Committee and Supervisory Council Secretariat
Ms. Michal Sinai Livyatan, Legal Department
Mr. Yoav Soffer, Bank of Israel Spokesperson