



**Report of the monetary discussion held at the Bank of Israel  
regarding management of the foreign exchange reserves**  
**Quarterly report to the Minister of Finance on the foreign exchange reserves (first quarter of 2020)**  
**Degrees of freedom for deviation from the strategic allocation**  
**Deviations from the compliance rules in managing the reserves portfolio**

---

The discussions were held on May 13<sup>th</sup> and 20<sup>th</sup>, 2020.

**Background:**

Section 40(c) of the Bank of Israel Law, 5770-2010, establishes that “The Committee shall report to the Minister of Finance, within three months following the end of each half-year, details about the management of the Foreign Currency reserves during the half-year ended, in a format that they shall determine by consent.”

The Bank of Israel submits to the Ministry of Finance a quarterly report on the management of the foreign exchange reserves in an agreed upon format based on the “Memorandum of Understanding regarding the government’s banking activity through financial corporations”, which was signed on March 9, 2010.

The Markets Department implements the investment policy within the framework of the degrees of freedom determined by the Monetary Committee. In a meeting held on March 12, 2020, the Monetary Committee authorized an increase in flexibility, for two months, of the Department’s degrees of freedom with regard to deviation from the strategic allocation. In view of the continued lack of certainty regarding the ramifications of the coronavirus crisis on the economies and markets, which was reflected in high volatility in all financial markets, the Markets Department requested the Monetary Committee’s authorization to continue and temporarily increase the flexibility of the Department’s degrees of freedom with regard to a deviation from the strategic allocation.

**Discussion:**

Markets Department representatives presented the Monetary Committee with the quarterly foreign exchange reserves management report, regarding the first quarter of 2020.

A discussion was held regarding the additional request for increased flexibility in the Department’s degrees of freedom with regard to deviation from the strategic allocation.

Markets Department representatives reported on deviations in compliance with the investment rules that occurred during the year and a discussion was held on the matter.

**Monetary Committee decision:**

The Committee approved the report that is to be submitted to the Minister of Finance in accordance with Section 40(c) of the Bank of Israel Law, 5770-2010, and the Memorandum of Understanding between the Bank of Israel and the government.

The Monetary Committee accepted the Markets Department's recommendation and authorized an increase in flexibility of the Department's degrees of freedom with regard to a deviation from the strategic allocation through the end of July.

**Participants:**

**Members of the Monetary Committee**

Prof. Amir Yaron, Governor of the Bank of Israel and Monetary Committee Chairperson  
Mr. Andrew Abir, Deputy Governor of the Bank of Israel  
Prof. Reuben Gronau  
Prof. Moshe Hazan  
Prof. Zvi Hercowitz  
Prof. Michel Strawczynski, Director of the Research Department

**Other participants**

Mr. Tal Biber, Head of Markets Division in Markets Department  
Mr. Mickey Blank, Markets Department (at the May 13, 2020 discussion)  
Dr. Golan Benita, Chief of Staff to the Governor  
Ms. Françoise Ben-Zur, Head of the Financial Division in Markets Department  
Ms. Guenia de Mayo, Markets Department  
Ms. Hagit Waknin, Markets Department  
Mr. Mark Yohai, Markets Department (at the May 13, 2020 discussion)  
Mr. Roe Levy, Markets Department (at the May 13, 2020 discussion)  
Mr. Arad May, Secretariat of the Monetary Committee and the Supervisory Council  
Mr. Yoav Soffer, Monetary Policy Communications Advisor  
Ms. Michal Sinai Livyatan, Legal Department  
Ms. Jenny Seri, Markets Department (at the May 13, 2020 discussion)  
Dr. Amit Friedman, Advisor to the Director of the Markets Department (at the May 13, 2020 discussion)  
Ms. Esti Schwartz, Secretary of the Monetary Committee and the Supervisory Council