



## **Report of the monetary discussion held at the Bank of Israel regarding management of the foreign exchange reserves Degrees of freedom for deviation from the strategic allocation**

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The discussion was held on August 5, 2020.

### **Background:**

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 sharp declines in equity markets and the increase in volatility in all the financial markets.

At its meeting on May 13, 2020, the Committee accepted the Markets Department's recommendation and authorized an increase in the flexibility of the Department's degrees of freedom with regard to deviation from the strategic allocation, until the end of July, due to the continuation of the 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. At its meeting on July 29, 2020, the Committee accepted the recommendation of the Markets Department and authorized an increase in flexibility of the Department's degrees of freedom with regard to deviation from the strategic allocation for an additional two weeks.

In view of the anomalous circumstances created by the coronavirus crisis, and its continued ramifications on the uncertainty in 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 relative to a deviation from the strategic allocation for an additional three months.

### **Discussion:**

A discussion was held regarding the possible future developments in financial markets, and the question of the desired share of the equity portfolio in this period was examined.

### **Monetary Committee decision:**

The Monetary Committee decided to extend the increase in flexibility of the Department's degrees of freedom relative to a deviation from the strategic allocation for an additional three months.

### **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  
Dr. Golan Benita, Chief of Staff to the Governor  
Ms. Francoise Ben-Zur, Head of the Financial Division in Markets Department  
Ms. Guenia de Mayo, Markets Department  
Mr. Daniel Hofbauer, Markets Department  
Mr. Hanoch Danenberg, Markets Department  
Mr. Oren Hadjes, Markets Department  
Mr. Mark Yohai, Markets Department  
Mr. Dor Lev, Markets Department  
Mr. Roelevy, Markets Department  
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  
Mr. Arie Knopf, Secretariat of the Monetary Committee and the Supervisory Council  
Mr. David Krausz, Markets Department  
Ms. Esti Schwartz, Secretary of the Monetary Committee and the Supervisory Council