



Summary of Monetary Committee discussion held at the Bank of Israel regarding the management of the foreign exchange reserves Annual update of the numeraire

The discussion was held on December 16, 2020.

Background:

The numeraire is the currency basket used to measure the return on the foreign exchange reserves and is thus the neutral currency composition of the reserves, and serves as an anchor for the management of the currency risk of the Bank of Israel's foreign exchange reserves. In accordance with the guidelines, the composition of the numeraire is examined annually by the Markets Department. The numeraire composition is set based on the potential uses of the reserves, in order to maintain the purchasing power of the reserves in terms of their potential uses.

Toward the end of 2020, the Markets Department examined the currency composition of the components of the potential uses of the reserves in emergency or financial crisis situations, taking into account as well the distribution of reserves of countries worldwide. The examination indicated that the ranges obtained in scenarios are not substantially different, and that the distribution of the numeraire today—66.9 percent dollar, 30.6 percent euro, and 2.5 percent British pound—is within the range obtained under the various scenarios examined.

The Markets Department recommended to keep the numeraire composition unchanged.

Discussion:

Markets Department representatives presented the Monetary Committee members with the examination carried out and details of the results obtained.

Monetary Committee Decision:

To leave the composition of the numeraire unchanged. The Committee approved the recommendation unanimously.

Participants in the discussion:

Members of the Monetary Committee

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

Mr. Adrew 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 in the discussion:

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 Financial Division in the Markets Department
Ms. Guenia de Mayo, Head of the Risk Management Unit in the Markets Department
Ms. Hagit Waknin, Markets Department
Mr. Mark Yohai, Markets Department
Mr. Dor Lev, Markets Department
Mr. Roe Levy, Markets Department
Mr. Arad May, Monetary Committee and Supervisory Council Secretariat
Ms. Michal Sinai Livyatan, Legal Department
Ms. Jeanina Tirosh, Markets Department