



Summary of the Monetary Committee discussion on May 22, 2016 regarding Bank of Israel Order

Background data:

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 reporting requirements from types of persons named in an Order, in order to follow developments in the foreign exchange market in Israel.

Within this framework, in April 2011, the Bank issued Bank of Israel (Information regarding transactions in foreign currency derivatives and short-term debt instruments) Order, 5771-2011 (hereinafter, the 2011 Order), which establishes a reporting requirement on such transactions and that applies to nonresidents and partly to Israeli residents.

It is our intention to cancel this Order and to issue two new Orders: one under the authority of Section 39(a) of the Law - Bank of Israel (Information from financial entities regarding transactions in foreign currency derivatives, index derivatives, and interest rate derivatives) Order, 5776-2016 (hereinafter, the First Order) that will impose reporting requirements for such transactions on financial entities that are materially Israeli resident in light of the definition of “financial entity” in the Law, which meet the conditions set out in the first Order; and the second one under the authority of Section 39(b) of the Law - Bank of Israel (Information from nonresidents regarding transactions in foreign currency derivatives, index derivatives, and interest rate derivatives) Order, 5776-2016, (hereinafter, the Second Order), which will impose similar reporting requirements on nonresidents that meet said conditions in the Second Order.

The required information is crucial for the Bank of Israel in following developments in the foreign exchange market, interest rate, and the CPI.

Main points raised in the discussion:

Committee members inquired as to the necessity of issuing the new Orders, and were answered that it is reporting that the Bank of Israel has received for years, and the need arose to improve and enhance the information received. Likewise, with the legislation of the Bank of Israel Law, 5770-2010, the need arose to bring it in line with the new legislative framework.

Committee members asked about the differences in reporting requirements, and were answered that the new reporting format is more detailed, will include transactions of significant scope, and is matching the international reporting standard.

Committee members asked about the significance of cancelling the 2011 Order and were answered that as a result of the new Orders, the Bank of Israel is expected to

receive quality information that will convey a broader picture of the foreign exchange market, interest rate, and the CPI.

Monetary Committee decision:

The Committee members approved the Bank of Israel (Information from financial entities regarding transactions in foreign currency derivatives, index derivatives, and interest rate derivatives) Order, 5776–2016 and the Bank of Israel (Information from nonresidents regarding transactions in foreign currency derivatives, index derivatives, and interest rate derivatives) Order, 5776–2016.

The Committee members approved the cancellation of the Bank of Israel (Information regarding transactions in foreign currency derivatives and short-term debt instruments) Order, 5771–2011.

Participants in the discussion:

Members of the Monetary Committee

Dr. Karnit Flug, Governor of the Bank of Israel, Chairperson

Dr. Nadine Baudot-Trajtenberg, Deputy Governor

Prof. Reuben Gronau

Prof. Nathan Sussman, Director of the Research Department

Other participants in the discussion:

Andrew Abir, Director of Market Operations Department

Tal Biber, Head of Markets Division in Market Operations Department

Orna Vago, Deputy Legal Counsel

Daniel Hahiashvili, Chief of Staff to the Governor

Amir Khatib, Economist in Forex Market Unit, Information & Statistics Department

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

Yoav Soffer, Bank of Israel Spokesperson

Yehudit Sirkis Daren, Assistant to Legal Counsel

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