



# Highlights of the Bank of Israel work plan for 2022

2022



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## Foreword by the Governor and the Supervisory Council Chairman

The Bank of Israel's Supervisory Council herewith publishes the main provisions of the Bank of Israel work plan for 2022, in accordance with Section 20(b) of the Bank of Israel Law, 5770-2010.

The Bank of Israel's work plan for 2022 was formulated with the goal of leading the Bank to the optimal execution of its mission and mandate as set in the Law, to the promotion of the Bank's values, and to the realization of the vision to be an advanced central bank that contributes to Israel's prosperity and the welfare of its citizens.

The work plan for 2022 combines significant steps to support the economy due to the COVID-19 crisis with steps to promote the strategic goals of the Bank for coming years, in line with developments, changes and risks in the global and Israeli economies. This plan also includes extensive activity in numerous areas in accordance with the Bank's statutory functions, including management of the foreign exchange reserves and preparation for managing the assets of the Citizens of Israel Fund.

The Bank of Israel will continue to contribute to the prosperity of the Israeli economy, while supporting stability and encouraging competition, innovation, and customer service in the financial system. In addition, the Bank of Israel will promote innovation, flexibility and quick responses, initiative, openness, and a culture of collaboration.

We would like to thank the employees who contributed to the preparation of the work plan, the Bank's employees, and the members of the Monetary Committee and Supervisory Council, who work each day to fulfill the Bank of Israel's functions and achieve its objectives.



Prof. Amir Yaron,  
Governor of the Bank of  
Israel

Prof. Joshua (Shuki) Shemer,  
Supervisory Council  
Chairman

Sincerely,

Prof. Amir Yaron,  
Governor of the Bank of Israel

Prof. Joshua (Shuki) Shemer,  
Supervisory Council Chairman

## The Foundations of the Work Plan

The work plan for 2022 was formulated with the goal of leading the Bank to optimally executing its mission and mandate in accordance with the Law, to promoting the Bank's values, to realizing the Bank's vision, and to advancing the Bank's strategy in the coming years.

### Mission

- To maintain price stability, as its central goal;
- To support other objectives of the Government's economic policy, especially growth, employment and reducing social gaps, provided that, in the Monetary Committee's opinion, this support shall not prejudice the attainment of price stability over the course of time;
- To support the stability and orderly activity of the financial system.

### Mandate

- **Managing** monetary policy;
- **Holding** and managing the foreign exchange reserves of the State;
- **Supporting** the orderly activity of the foreign exchange market in Israel;
- **Acting** as banker of the Government;
- **Regulating** the economy's payment and settlement systems, to ensure their efficiency and stability;
- **Issuing** currency and regulating and guiding the cash system of the economy;
- **Carrying out** the supervision and regulation of the banking system;
- **The Governor serves** as advisor to the government on economic matters, including with regard to reducing social gaps and decreasing inequality in the income distribution in society;
- **Establishing and managing** the Credit Data System and carrying out the oversight and regulation of the Credit Data System;
- **Managing** the assets of the Citizens of Israel Fund (the Fund for the Administration of State Revenues from the Petroleum Profits Levy)

### Vision

To be an advanced central bank that contributes to Israel's prosperity and the welfare of its citizens

### Values

National welfare, Professionalism, Integrity, Partnership, Fairness and Respect for the individual

## **Strategic targets**

- Adjusting monetary policy to the changing environment
- Strengthening the financial system and the Israeli economy's resilience to crises
- Consistently advancing research on the Israeli and global economies
- Broadening the abilities to collect and extract economic data and research, and making it accessible to researchers and decision makers
- Promoting financial infrastructures and digital means of payment in Israel's economy
- Encouraging competition and innovation in the financial system
- Protecting customers' rights, improving their negotiating position, and reducing information gaps
- Increasing the accessibility of financial services to all citizens (financial inclusion)
- Tightening the Bank of Israel's connection with the public, in line with the various target population groups
- Enhancing the professional dialogue with regulators in Israel, the Knesset, and government ministries
- Enhancing the collaboration with international institutions and with central banks
- Managing the foreign exchange reserves
- Implementing the Citizens of Israel Fund Law, 5774-2014
- Aligning the Bank with the changing environment.

## **Highlights of the Bank of Israel Work Plan for 2022**

The Bank of Israel's Work Plan for 2022 is derived from the mission and mandate defined in law, and incorporates steps for promoting the Bank's strategic targets for the coming years, and to provide a response to the economy's special challenges due to the COVID-19 crisis and its ramifications.

### **Adjusting monetary policy to the changing environment**

- Continuing to study the monetary tools available to the Bank in routine times and during crises;
- Examining the inflation target regime;
- Examining and analyzing the monetary policy transmission mechanisms.

### **Strengthening the financial system and the Israeli economy's resilience to crises**

- Maintaining the stability and functional continuity of the banking system, the payments system, and the cash system;
- Aligning the work processes at the Banking Supervision Department to the developing challenges with a forward-looking view;
- Promoting regulation of environmental and climate risks in the banking system;
- Research on the financial system and its stability;
- Concentrating the work of the Financial Stability Committee;
- Economic advice to the government on determining its policy and formulating fiscal programs, including tools for dealing with the COVID-19 crisis, social effects, impact on education, structural unemployment and ways to prevent it;
- Examining steps to accelerate economic activity upon exiting the COVID-19 crisis;
- Ensuring cash services in routine times and during crises and preparation for shifts and changes expected in the area of means of payment;
- Accompanying the establishment of Correspondent Services Ltd. vis-à-vis the Palestine Monetary Authority and preparation for supervision over it;
- Participating in the "Committee to Examine the Structure of Financial Supervision Authorities in Israel", in collaboration with the Ministry of Finance and other entities.

### **Consistently advancing research on the Israeli and global economies**

- Promoting macroeconomic research at international standards;
- Formulating recommendations for economic policy via research in the areas of economic growth, the labor market, welfare and government expenditure.

### **Broadening the abilities to collect and extract economic data and research, and making it accessible to researchers and decision makers**

- Improving access to data, products and periodical publications, including on the Bank of Israel's website;
- Developing advanced infrastructures and tools to leverage the information at the Bank;
- Developing models for statistical forecasting based on nontraditional data, in order to receive an up to date picture of the economic situation in the present;
- Developing rapid indicators for analysis of economic activity;
- Establishing an integrative individual-based information infrastructure of credit data in the business sector, as a tool for making decisions in the area of financial stability;
- Integrating tools for analysis of big data;
- Examining Data Re-thinking.

### **Promoting financial infrastructures and digital means of payment in Israel's economy**

- Preparing for full oversight over all the controlled payment systems, in accordance with globally accepted standards;
- Adjusting the Payment Systems Law to PFMI principles (Principles for Financial Market Infrastructures);
- Preparing to align the payment systems with the international standard (ISO 20022);
- Accompanying and regulating the existing connections between the entities operating the retail payment systems active in the Israeli market;
- Promoting the oversight of the rules regulating the use of means of payment;
- Promoting and enhancing the use of immediate payments in Israel;
- Preparation for expanding the ID code of payment service providers;
- Upgrading the Zahav (RTGS) system to the new financial world;
- Establishing a central financial identity infrastructure in Israel (KYC—"Know Your Customer"), in collaboration with various government entities (Interior Ministry, the Ministry of Justice, the Israel Money Laundering and Terror Financing Prohibition Authority, and others);
- Promoting the development of the digital check;
- Developing a REPO market (REPO is a tool for the short-term credit market) in Israel, in order to enable relevant financial entities to receive immediate liquidity in exchange for collateral, without needing to realize assets;
- Promoting the Securitization Law to develop the securitization market in Israel;

- Examining and regulating crypto-assets—the technological and monetary significances;
- Studying, researching, and preparing for the possible issue of a Bank of Israel digital currency in the future.

### **Encouraging competition and innovation in the financial system**

- Promoting the opening of the payment systems to nonbank entities;
- Promoting the opening of access to the Zahav system to nonbank entities and to additional payment systems;
- Removing barriers in the ATM market to new participants, among other things by promoting the establishment of a central clearing interface;
- Concentrating the work of the Committee to Implement the Enhancing Competition and Reducing Concentration in the Banking Sector in Israel Law, 5777-2017;
- Operating the national Credit Data System and oversight of the system participants;
- Examining license requests for new banks and merchant acquirers;
- Continuing to promote “Open Banking”;
- Leading processes in the banking system and promoting regulation that supports innovative and developing banking;
- Continuing to implement the “one-click” switching between banks reform;
- Promoting payment initiation.

### **Protecting customers’ rights, improving their negotiating position, and reducing information gaps**

- Protecting banking system customers, via appropriate regulation and enforcement;
- Replacing the Public Enquiries management system in order to improve control of the service, and enhancing the response to public enquiries;
- Developing and promoting a Fairness Index for the banking corporations;
- Changing the Checks without Cover Law—switching from an account restrictions mechanism to an unpaid-check notification mechanism;
- Encouraging the banking corporations to adopt activities that contribute to society and the environment (“impactful banking”);
- Strengthening the financial public awareness and customer rights with regard to using the credit data system;
- Supervising credit rating models and formulating appropriate directives, in view of the coronavirus crisis as well;



- Establishing an effective oversight system for Credit Data System participants and for information sources, particularly oversight regarding protection of privacy.

### **Increasing the accessibility of financial services to all citizens (financial inclusion)**

- Formulating a plan to enhance financial inclusion in the economy, together with government ministries and the relevant regulators on the issue.

### **Tightening the Bank of Israel's connection with the public, in line with the various target population groups**

- Developing a new website for the Bank of Israel;
- Enhancing the outreach to the public about the Bank's policy and activities;
- Strengthening and tightening the connection with community functions;
- Enhancing the transparency and accessibility of information;
- Promoting public information and financial awareness to various population groups;
- Establishing a financial education infrastructure at the Bank.

### **Enhancing the professional dialogue with regulators in Israel, the Knesset, and government ministries**

- Strengthening and tightening the contact with government institutions and functions.

### **Enhancing the collaboration with international institutions and with central banks**

- Tightening collaboration and coordination with central banks and international financial institutions;
- Establishing a domestic Foreign Exchange Committee within the framework of Israel's membership in the GFXC (Global FX Committee);
- Organizing an international conference on "Financial Regulation in a Cyber World".

### **Managing the foreign exchange reserves**

- Aligning the asset allocation with the investment policy goals, and the new risk profile and currency benchmark. These features were adjusted to the level of the reserves and the domestic and international economic and financial environment, and are reflected in the new investment policy guidelines, which were approved by the Monetary Committee and came into effect in April 2021.

### **Implementing the Citizens of Israel Fund Law, 5774-2014**

- Preparation to manage the assets of the Citizens of Israel Fund, in coordination with the relevant functions: the Fund's institutions that will be established, the Ministry of Finance, the Israel Tax Authority, and other financial entities.

### **Aligning the Bank with the changing environment**

- Increasing operational efficiency, reducing internal bureaucracy, and integrating results-based management;
- Strengthening the risk management culture in the Bank;
- Promoting an organizational culture of collaboration and innovation;
- Boosting the importance and development of the employee;
- Enhancing the diversity at the Bank;
- Promoting a digital culture and work space;
- Forward-looking preparation while examining the Bank's various infrastructures required for the Bank's ongoing and proper management;
- Preparing for cyber threats and crises, alongside the expansion of the Bank's readiness for dealing with emergency and crisis incidents.

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Passages may be cited provided the source is specified.

Edited by the Director General's Office—the Strategic Planning and Budget Management Unit.

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