



Forex Israel



Tel Aviv Stock Exchange



Bank of Israel

April 4, 2011

Minutes of the Telbor Committee meeting held on March 28, 2011

Present

Committee members: Sharon Lavi, Harel Cordova, and Roy Stein

Guests: Michal Rot-Levy, Guy Fischer, Saar Weintraub, Ran Abraham, Dan Trister, and Howard Jackson

The Committee discussed the implications of the set of obligations for performing transactions, including OIS, FRA, IRS, as well as loans and deposits for one business day. Most of the guests pointed out that the present set of obligations has improved the sophistication of the market, and that the Telbor market today is far more transparent and inviting for new players. Some of the guests pointed out that the number of customers taking an interest in Telbor contracts is indeed expanding. Another recent positive development is that both macroeconomists and the management of the Bank of Israel (according to minutes of the monetary policy discussions) are finding the Telbor interest rate curves to be helpful for deriving relevant information regarding expectations of changes in the Bank of Israel's interest rate.

One of the guests stressed the need to update the amounts that the Telbor Committee determined for the obligatory transactions. Most of the participants agreed that NIS 50 million in OIS and FRA transactions is too low, and does not constitute a sufficient economic incentive for performing transactions as part of the obligations, and that the sum should be raised to NIS 100 million, based on the changes in the volume of the transactions included in this market, among other things. It was mentioned that the purpose of the obligations that the Committee determined for performing transactions is to motivate the contributing banks to quote interest rates based on appropriate considerations only, and without attempts to bias the Telbor interest rate based on considerations related to their positions. Committee members re-emphasized the tremendous importance of the credibility of the quotes that determine the interest rates

in the Telbor market: an interest rate market that is perceived as efficient, transparent, and reliable will greatly assist in promoting awareness of its existence, and its use will expand. Against this, some claimed that the obligation to perform transactions was not intended to serve as an instrument for creating liquidity, and that there is no need, in their view, to increase the amount. It was therefore decided that the implications of the proposal to raise the amount in OIS and FRA transactions from NIS 50 million to NIS 100 million would be discussed again in a future meeting. In this context the Committee members wish to remind the contributing banks that they have option of submitting letters of complaint to the Committee if they experience difficulties in executing transactions with other contributing banks at their quoted interest rates.

Several further issues on the agenda were concluded:

1. The banks that are entitled to submit a request to be added to the list of contributing banks are defined as commercial banks that perform their transactions in a trading room in Israel. Nine banks currently meet this definition; these comprise the present list of contributing banks that have undertaken to operate according to the rules and the definitions decided upon by the Committee.
2. The Bank of Israel has obtained from the contributing banks the transactions data in Telbor-based interest derivatives for 2010. As stated in the letter requesting the data, the overall data are published for the public¹—see Appendix 1. On the basis of these data, a new list of contributing banks was decided on, which will be published within 30 days (from the beginning of May) on the Reuters screen that presents the bank quotes and the Telbor interest rates. This list is presented in Appendix 2.
3. It was decided to distinguish between reports of contributing banks' transactions in Telbor derivatives with other contributing banks (i.e., local banks and two foreign banks, Deutsche and Barclays), and their transactions with non-contributing banks (i.e., foreign banks, except for Deutsche and Barclays). Besides the reports according to these new classifications, the current classification of transactions performed with customers will remain. The new classification will facilitate the correct and non-duplicated summarizing of the

¹ Following several comments raised in the meeting regarding the volumes of the transactions, several errors were found (in the reporting of one of the banks), and were corrected. A summary table is presented in Appendix 1 of the volumes of transactions in Telbor derivatives—after further examination and correction of errors.

transactions data of the system as a whole—seeing that all the contributing banks report to the Bank of Israel, and therefore the transactions between them should be divided by two as against transactions performed between a contributing bank and a customer or a bank that does not report to the Bank of Israel. Simcha Hochman, representative of the Information and Statistics Department, will contact the data providers of the contributing banks in order to ensure that this classification will be implemented in the data of the first quarter of 2011.

4. It was decided to reduce the Reuters Alert Net. Starting in May 2011 the written notifications to mobile phones will cease at 10:30. All the other alerts will continue as before.

Appendix 1

Telbor-Based Transactions (NIS million)

2010

First quarter

	FRA	CC Swap	IRS		
			Term to Maturity		
			1	2-5	6-10
Customer	8,402	319	1,570	1,394	467
Foreign Bank	20,307	2,784	14,872	19,837	8,708
Local Bank*	4,625	1,663	1,830	2,210	2,581
sum	33,334	4,766	18,272	23,441	11,755

Second quarter

	FRA	CC Swap	IRS		
			Term to Maturity		
			1	2-5	6-10
Customer	4,650	391	3,210	3,642	530
Foreign Bank	12,050	2,699	12,657	14,645	4,575
Local Bank*	3,900	842	2,700	1,722	1,809
sum	20,600	3,933	18,567	20,009	6,914

Third quarter

	FRA	CC Swap	IRS		
			Term to Maturity		
			1	2-5	6-10
Customer	62	1,782	1,408	3,019	653
Foreign Bank	12,943	806	11,900	20,375	7,251
Local Bank*	5,225	-	4,528	4,715	1,475
sum	18,230	2,588	17,836	28,108	9,378

Fourth quarter

	FRA	CC Swap	IRS			OIS
			Term to Maturity			OIS
			1	2-5	6-10	
Customer	2,340	95	1,580	2,473	859	100
Foreign Bank	4,930	3,179	11,100	13,179	6,729	100
Local Bank*	2,200	831	2,575	3,430	1,874	150
sum	9,470	4,106	15,255	19,082	9,462	350

* Transactions in this category have been divided by two, to avoid double counting.

Appendix 2

The list of quoting banks that are approved by the "Telbor Interest Rate Committee"

	Bank*
1.	Leumi Bank
2.	Deutsche Bank
3.	Hapoalim Bank
4.	Barclays Capital
5.	Citibank
6.	United Mizrachi Bank
7.	Israel Discount Bank
8.	First International Bank
9.	HSBC

* The list is in descending order of the share of the bank in the volume of the Telbor derivatives during 2010.