



February 22, 2022

Minutes of the Telbor Committee meeting held on February 16, 2022

Committee members present: Mimi Regev, Bank of Israel Markets Department (Committee Chairperson)
Eyal Klein, Representative of ACI Israel (Forex)
Ketty Cohen, Bank of Israel Markets Department

Other participants: Ran Abraham, Mizrahi-Tefahot Bank
Yossi Cuomo, Bank Hapoalim
Michal Rot-Levy, Bank Hapoalim
Heli Siman Tov, Bank Hapoalim
Zach Sharon, Bank Leumi
Ian Klotnick, Israel Discount Bank
Rami Ogdan, First International Bank of Israel
Shuki Hay, First International Bank of Israel
Tsila Billet Blank, BOI Markets Department

The issues that were discussed:

1. The need to reach an official decision on switching the Telbor interest rate in derivatives transactions to the Bank of Israel interest rate was presented. This decision is the required basis for progressing with the adjustment process that the banks need to carry out in their systems and from a legal perspective, and in addition, for the process that the Bank of Israel needs to complete with the ISDA and the LCH. The name of the new interest rate will be determined later.
It was decided **unanimously** to switch the Telbor interest rate in derivatives transactions to the Bank of Israel interest rate (details of the decision will follow).
2. The various parameters for the new interest rate were discussed. As part of this, representatives of the banks supported the calculation period convention of every 3 months. In addition, it was decided that the Bank of Israel will again send the participants, the definition of the convention for the various parameters for the new interest rate, so that they will reflect the decisions reached at the meeting, and will attach to it 2 examples with the relevant parameters, including reference to a future transaction.
3. Further to the previous meeting, there was again a discussion on the need to publish, the average interest rate for set periods, or an average interest rate as an index – all the participants agreed that there is no special need to publish such series beyond the daily interest rate.
4. The timetables for implementing the change process, have not yet been determined. However, the Bank of Israel's aspiration was presented, of being able to execute new transactions with

the new interest rate already in the third quarter of 2022, and beginning from January 2023, all new transactions that will be executed will be on the basis of the new interest rate. Regarding switching old transactions to the new interest rate, there was agreement that there is logic to aligning with the SOFR timetables, within which the transactions will be switched by the end of June 2023. Some of the banks noted that in their view, they will not be able to comply with those timetables for switching, as the SOFR switch is resource-intensive. It was agreed that final timetables will be established later, as the process progresses, and based on the preparedness of the banks and additional necessary entities.

Decisions reached at this meeting:

1. Switching the Telbor interest rate in derivative transactions to the XXX interest rate as detailed below.
2. The calculation period for the new interest rate will be set at 3 months.

Telbor Committee Decision

Switching the Telbor interest rate in derivative transactions to the XXX interest rate

The XXX interest rate will replace the Telbor interest rate in interest rate derivative transactions, and will serve as the Overnight interest rate for that day (same day fixing). The decision on exchanging the Telbor interest rate is in line with the decisions reached in major countries worldwide, according to which IBOR interest rates will be switched to risk-free Overnight interest rates.

The XXX interest rate is equal to the Bank of Israel interest rate, although on days when the XXX interest rate is not published, its value will be what it was on the last day it was published. As is known, the Bank of Israel interest rate is determined by the Bank of Israel Monetary Committee, 8 times per year, generally on a Monday at 16:00. The dates of the Bank of Israel interest rate's publication and application are published each year on the Bank of Israel website.¹

The XXX interest rate will be published on the Bank of Israel website by 11:00 each day, except for Saturdays, Sundays, and additional dates as published on the Bank of Israel website each year, and that will be updated periodically.

Timetables for implementing the decision will be established and published later.

The XXX interest rate for the relevant period in a transaction will be calculated as the geometric mean – compounding in arrears – in accordance with the following equation:

$$XXX_{Average} = \left[\prod_{i=1}^{d_o} \left(1 + \frac{XXX_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

XXX_i - the XXX interest rate on business day i ;

d_o - the number of days on which the XXX interest rate is published in a period;

i - a series of consecutive numbers from 1 to the value of d_o ;

n_i - the number of days in a year in which the XXX_i interest rate is the relevant interest rate (for example, one day for each of the days Monday through Thursday and 3 days for Friday);

d - the number of calendar days in the period.

¹ For publication dates of the Bank of Israel interest rate expected in 2022:

<https://www.boi.org.il/en/MonetaryPolicy/MonetaryPolicyFramework/Pages/Interest%20Rate%20Announcement%20Dates.aspx>

The Monetary Committee may reach additional unscheduled decisions without prior notification.