

**BANK OF ISRAEL**

Office of the Spokesperson and Economic Information

December 21, 2023

Press Release:

**Trading begins in SHIR—Shekel overnight Interest Rate, the interest rate expected to replace the Telbor interest rate**

**Bank of Israel Markets Department Director Dr. Golan Benita said**, “We see great importance in developing the financial market in Israel. In this regard, we are happy to report the first business activity based on the SHIR interest rate in the interest rate derivatives market, similar to what is accepted worldwide. We will continue to assist market participants in Israel and worldwide, in the rapid and efficient shift of activity from the Telbor interest rate to the SHIR interest rate.”

**Ms. Susi de Verdelon, Head of SwapClear and Listed Rates, LCH Ltd said**, “We are pleased to expand our service to include a SHIR (Shekel overnight Interest Rate) swap clearing capability and to support the Bank of Israel’s benchmark reform efforts in the Israeli Shekel market. LCH SwapClear remains committed to supporting interest rate benchmark reform globally, ensuring that market participants can efficiently access the benefits of strong risk management and increased capital efficiencies in one place.”

In the past week, the first interest rate swap transaction using the SHIR rate[[1]](#footnote-1) was executed and cleared. The transaction was carried out between two domestic banks and intermediated by a domestic broker, for a period of two years. The transaction was cleared by LCH Ltd, which completed the preparations for central clearing of SHIR interest rate transactions as of October 2023, and thus arranged the infrastructure for executing SHIR interest rate derivative transactions in central clearing.

In accordance with a decision reached in February 2022, the SHIR interest rate will replace the Telbor interest rate in shekel interest rate derivative transactions, and will serve as the overnight interest rate for the same day. The decision to switch the Telbor interest rate is in accordance with the decisions reached in major economies worldwide, according to which IBOR type interest rates will be replaced by risk-free overnight interest rates.

Executing and clearing the said transaction is an important milestone in the process of switching from the Telbor to the SHIR interest rate. The process includes executing transactions in the new interest rate and shifting the stock of existing Telbor transactions to the SHIR interest rate, and at the end of the process, the Telbor rate will be cancelled. The date for ending the publication of the Telbor interest rate will be determined in the future, in accordance with the progress of the process. The shift to the SHIR interest rate is expected to contribute to the advancement and development of the shekel interest rate derivative market.

[FOR FURTHER INFORMATION](https://www.boi.org.il/en/economic-roles/financial-markets/shir/)

1. [**SHIR interest rate**](https://www.boi.org.il/en/economic-roles/financial-markets/shir/)**:** will be replacing the Telbor rate in interest rate derivative transactions. The SHIR is equal to the Bank of Israel interest rate, but on days when the SHIR is not published, its value will be the same as it was on the last date of publication.

[**Telbor interest rate**](https://www.boi.org.il/en/economic-roles/financial-markets/the-telbor-market/)**:** An interest rate for interbank loans, calculated and published on every business day via the “Reuters” data distribution. The interest rate is calculated based on interest rate quotes from several commercial banks. [↑](#footnote-ref-1)