



March 10, 2023

Minutes of the Telbor Committee meeting held on February 27, 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
Heli Siman Tov, Bank Hapoalim
Zach Sharon, Bank Leumi
Ian Klotnick, Israel Discount Bank
Rami Ugdan, First International Bank of Israel
Sharon Lavi, Head of Trading, Derivatives and Indices Unit, Tel Aviv Stock Exchange—participated in Issues 1–4
Tsila Billet Blank, BOI Markets Department

The issues that were discussed:

1. Change in the forecast timetable: An updated Forecasted Road Map was presented, including a deferral of the process as a result of an update received from the LCH regarding a deferral in the timetable for clearing SHIR transactions, which poses an obstacle to beginning SHIR trading. The forecast is that SHIR transactions will only be able to be cleared at LCH toward the final quarter of 2023.
2. Bloomberg screens for the Fallback rate: The screens that Bloomberg developed for the Fallback for the Telbor rate were presented. There are separate screens for the Fallback spread and the average SHIR interest rate for the period plus the spread. The data appears for each tenor separately.
3. SHIR interest rate conventions: In a vote that was held, it was decided unanimously that for the convention determined for SHIR IRS transactions, the interest calculation will be at an annual frequency and not quarterly, as is generally accepted for risk-free rates worldwide. This decision will be included in the convention files filled out for the SHIR rate for the Bloomberg screen specifications.
4. Interest rate contracts: At the request of the Committee Chair and in view of the interest expressed by the Committee members, TASE Trading, Derivatives and Indices Unit Head Sharon Lavi presented the issue. The TASE is in a process of relaunching futures contracts on

indices and foreign currency, within the framework of adjusting the infrastructures, the products were adjusted for foreign investors as well. The changes made refer to the manner of trading, the manner of carrying out the revaluation, a change in calculation of the position limitation, and all this is in line with international standards. The TASE can also launch contracts on interest rates, but there are many issues to examine—type of product required, its tradability and liquidity, and the manner of market making, as well as referring to the clearing that will be in the MAOF clearing house and not in LCH.

Committee members noted that it is worthwhile discussing the issue comprehensively after considering separately all the issues raised. It was agreed that the summary of issues presented by Sharon will be distributed to the participants, and that each bank will internally consider the issues, and a special discussion on the issue will be held in the future.

5. The work process for switching from Telbor to SHIR: In the mapping carried out by the Bank of Israel, it was found that there is a need to align Markitwire to SHIR, as it is a system that is used in most transactions of domestic banks, and it is very important in the interface of the transaction with the LCH. In conversations held with representatives of the company, the required adjustments were explained, and they hope to have them adjusted for transactions in derivatives on the SHIR by June 2023.

In order to verify, that there are no additional elements that require adjustment, the participants were asked to again carry out an internal mapping, for all the interfaces/systems that need to be adapted in order for the launch of the SHIR transactions to be smooth. The participants were asked to send an update to the Bank of Israel by the end of March 2023 regarding their readiness to execute SHIR transactions in the second half of 2023.

6. Reference to a malfunction in the Telbor interest rate: Procedures were refreshed, and according to them the defined distribution lists should be used to alert about malfunctions. In addition, it was decided to open a designated Whatsapp group that will serve exclusively for initial notifications of malfunctions. The actual handling of the malfunctions themselves will continue to be carried out by email.

Decisions reached at this meeting:

It was decided unanimously that for the convention determined for SHIR IRS transactions, the interest calculation will be at an annual frequency, and not quarterly.