



February 6<sup>th</sup>, 2025

## **Call for Proposals to Assess the Feasibility of Developing and Advancing a Repo Market in Israel**

The Accountant General Department at the Ministry of Finance, the Markets Department of the Bank of Israel, the Israel Securities Authority, and the Tel Aviv Stock Exchange (hereinafter: "the Joint Taskforce") are currently assessing the feasibility of developing and advancing a market for repurchase transactions (hereinafter: "Repo") involving government bonds in Israel.

Following internal discussions held by the Joint Taskforce in recent months and in light of the economic challenges facing the Israeli economy, as well as the potential added value of developing a Repo market in Israel, this document outlines the rationale behind this joint initiative and presents selected issues for public consideration.

The Joint Taskforce invites the public to respond and provide input on the topics outlined in this call for proposals.

### **Points of Contact:**

Gil Cohen (Finance, Debt and Credit Division, Accountant General's Office, Ministry of Finance), Mimi Regev (Markets Department, Bank of Israel), Itzik Shurki (Israel Securities Authority), Orly Grinfeld (Tel Aviv Stock Exchange)

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## **Background**

1. Repurchase Transactions (Repo) are agreements that involve the transfer of cash by one party to the transaction in exchange for collateral in the form of a security, typically government bonds or other low-risk assets. In a Repo transaction, the party transferring the security sells it to a counterparty with an agreement to repurchase it at a predetermined date, making it effectively a sale and repurchase transaction of the security.
2. Repo transactions are a key financing tool for financial institutions and market participants in many countries, particularly in developed markets.
3. Israel currently lacks a developed and sophisticated Repo market. The volume of Repo transactions in the local market is relatively limited, especially when compared to its potential. Furthermore, many of these transactions rely on a small number of intermediaries, and the involvement of international financial institutions in the local Repo market is also below its potential.

4. The importance of developing a sophisticated Repo market has been discussed on multiple occasions by various financial regulators and key financial infrastructures in Israel. In the past, several initiatives were undertaken to establish dedicated platforms to develop the local Repo market. However, these efforts have not yet come to fruition due to macroeconomic conditions, legal/tax challenges, and other barriers.
  5. A well-developed and sophisticated Repo market in Israel could significantly contribute to the development of the local capital market. A Repo market could serve as an alternative investment avenue for public assets (e.g., those held by institutional investors), provide a tool for liquidity management and fundraising, increase the accessibility of the local capital market to foreign investors, and enhance liquidity and marketability in the domestic market, particularly in government debt.
  6. Repo transactions are typically operated in various ways globally:
    - a. **Bilateral Repo:** Transactions conducted directly between two parties, who independently manage all operational aspects, including collateral reconciliation, without third-party involvement.
    - b. **Triparty Repo:** Transactions mediated by an agreed-upon third party (e.g., a custodian or financial institution), which handles collateral management, reconciliation, and operations during the life of the transaction.
    - c. **CCP-based Repo:** Transactions cleared through a Central Counterparty Clearing (CCP), significantly reducing counterparty risk but often incurring higher costs for participants.
  7. In some markets, dedicated trading platforms enable Repo transactions between various parties.
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## **Call for Proposals**

The Joint Taskforce invites the public to provide information and opinions on the following topics:

1. Identification of barriers (legal, contractual, operational, tax-related, business, technological, or other) to developing a Repo market in Israel, along with suggestions for overcoming them.
2. Perspectives on the fundamental need for and importance of establishing a structured and dedicated framework in Israel for facilitating and/or operating Repo transactions among market participants.
3. Assuming the Joint Taskforce aims to promote Repo transactions with Israeli government bonds as a first step, please elaborate on the advantages and disadvantages of using such an asset in Repo transactions. Additionally, provide insights on other assets with potential to serve as collateral for Repo transactions.

4. Insights into how developing a local Repo market could improve, streamline, or enhance liquidity solutions in both Israeli Shekels and foreign currencies for market participants.
5. Preferences regarding types of Repo transactions and their conditions.
6. Regarding the possibility of establishing a dedicated mechanism for facilitating and/or operating Repo transactions in the local market, please provide considerations, preferences, advantages, and disadvantages of the different operational models (Bilateral, Triparty, CCP) and mechanisms for connecting Repo transactions (e.g., a dedicated trading venue, an existing international platform, or bespoke arrangements).
7. How could the establishment of a dedicated mechanism for facilitating/operating Repo transactions in the local market help attract new participants, both local and international, and increase transaction volumes? How important is the inclusion of new participants, including international players, in such a mechanism?
8. Suggestions for incentive models or mechanisms that could support the development of a sophisticated local Repo market.
9. Perspectives on the added value of establishing a mechanism exclusively for operating Repo transactions, without developing a platform for facilitating transactions (i.e., transactions would be facilitated directly between the parties).
10. Description of the existing capabilities for executing Repo transactions – legal, operational and more.
11. Any other relevant issues.

Responses to this call for proposals must be submitted in writing. The Joint Taskforce will carefully review all submissions and may contact respondents or their representatives as deemed necessary.

**Please send your written responses by March 13<sup>th</sup> 2025 to Mr. Dan Kamieniecki, Tel Aviv Stock Exchange, via email: [dank@tase.co.il](mailto:dank@tase.co.il).**