

CHAPTER XXI

ACTIVITIES OF THE BANK OF ISRAEL

1. SUMMARY OF BALANCE SHEET AT THE END OF 1965

THE BALANCE SHEET of the Bank of Israel totalled IL 2,858.2 million at the end of 1965, as compared with IL 2,575 million at the end of the previous year—an advance of IL 283.2 million or 11 percent. The increase stemmed mainly from the resumption of the upward trend in the accumulation of foreign exchange reserves, which rose by approximately IL 294 million during the year.

(a) *Assets*

1. *Foreign exchange*

The Bank's gross foreign exchange and gold holdings, including loans to foreign governments and institutions, the credit balance in clearing accounts, and its participation in international financial institutions, amounted at the end of 1965 to IL 2,002.4 million, or \$ 667.5 million, as against IL 1,712.2 million, or \$ 570.7 million, at the end of 1964.

2. *Government accounts*

The Government's liabilities to the Bank declined by IL 108.4 million—from IL 404.8 million at the end of 1964 to IL 296.4 million. This resulted from a IL 53.6 million decrease in the advance to the Government for the repayment of external debts ahead of maturity, and a reduction of IL 54.8 million in current advances to the Government. The latter stemmed from a change in the Bank's recording procedures: the item "Advances to the Government" was eliminated, and instead Government deposits are now recorded net, i.e. less withdrawals.

3. *Rediscounting of bills*

Local currency rediscounts increased by IL 5.6 million during the year, from IL 68.4 million to IL 74.0 million. The increment was due almost entirely to the rediscounting of bills through the Export Finance Fund. In addition, there was an increase of IL 2.5 million (\$ 0.8 million) in the value of bills rediscounted in foreign currency. The total amount of credit extended by the Bank to the public through rediscounting operations was IL 8.1 million higher

than in 1964. The balance sheet increase in this credit item actually amounted to IL 23.7 million, but IL 15.6 million thereof constituted repurchases from commercial banks of bills discounted by the Bank of Israel.

Table XXI-1

ASSETS AND LIABILITIES OF THE BANK OF ISRAEL, 1964-65

(End of period)

| | IL million | | Percent | | Increase or decrease (-) | |
|---|------------|---------|---------|-------|--------------------------|--------|
| | 1965 | 1964 | 1965 | 1964 | IL m. | % |
| Assets | | | | | | |
| Foreign exchange and gold ^a | 1,954.0 | 1,657.4 | 80.1 | 74.2 | 296.6 | 17.9 |
| Participation in international financial institutions | 11.7 | 10.8 | 0.5 | 0.5 | 0.9 | 8.3 |
| Government securities | 238.9 | 241.1 | 9.8 | 10.8 | -2.2 | -0.9 |
| Advances to the Government for early repayment of foreign debts | 57.4 | 111.0 | 2.4 | 5.0 | -53.6 | -48.3 |
| Current liabilities of the Govt. | — | 52.7 | — | 2.3 | -52.7 | -100.0 |
| Bills rediscounted | 139.2 | 115.6 | 5.7 | 5.2 | 23.6 | 20.4 |
| Loans to foreign governments and institutions | 36.8 | 43.9 | 1.5 | 2.0 | -7.1 | -16.2 |
| Other accounts | 0.9 | 1.0 | — | — | -0.1 | -10.0 |
| Total | 2,438.9 | 2,233.5 | 100.0 | 100.0 | 205.4 | 9.2 |
| Contingent accounts ^b | 419.3 | 341.5 | | | 77.8 | 22.8 |
| Grand total | 2,858.2 | 2,575.0 | | | 283.2 | 11.0 |
| Liabilities | | | | | | |
| Notes and coin in circulation | 686.6 | 616.7 | 28.2 | 27.6 | 69.9 | 11.3 |
| Deposits of the Govt. and Govt. institutions ^c | 130.2 | 254.2 | 5.3 | 11.4 | -124.0 | -48.8 |
| Deposits of banking and financial institutions ^d | 1,587.0 | 1,323.0 | 65.1 | 59.2 | 264.0 | 20.0 |
| Clearing accounts | 9.7 | 15.9 | 0.4 | 0.7 | -6.2 | -39.0 |
| Paid-up share capital and reserves | 20.0 | 20.0 | 0.8 | 0.9 | — | — |
| Other accounts | 5.4 | 3.7 | 0.2 | 0.2 | 1.7 | 45.9 |
| Total | 2,438.9 | 2,233.5 | 100.0 | 100.0 | 205.4 | 9.2 |
| Contingent accounts ^b | 419.3 | 341.5 | | | 77.8 | 22.8 |
| Grand total | 2,858.2 | 2,575.0 | | | 283.2 | 11.0 |

^a Including clearing account balances in connection with payments agreements.

^b Including agricultural surplus accounts, documentary credits, and guarantees.

^c Including deposits of international institutions.

^d Including deposits of nonresidents.

(b) Liabilities

1. Banknotes and coin in circulation

The value of banknotes and coin in circulation increased during 1965 by 11.3 percent—from IL 616.7 million to IL 686.6 million.

2. Government deposits

The total of the Government's creditory accounts declined by IL 124.0 million in 1965, amounting to IL 130.2 million as against IL 254.2 million at the end of 1964.

3. Deposits of banking and financial institutions

Local currency deposits of banking and financial institutions rose by IL 78.4 million during the year reviewed, and their foreign currency deposits by IL 185.6 million—from IL 779.5 million to IL 965.1 million. Of this increase, IL 134.7 million was in Pazak deposits and IL 35.7 million in Tamam, with Patach deposits accounting for the remainder.

2. FOREIGN EXCHANGE AND GOLD HOLDINGS

(a) Foreign exchange and gold

Total foreign exchange and gold reserves held by the Bank of Israel at the end of 1965 reached IL 2,002.4 million (\$ 667.5 million), as compared with IL 1,712.2 million (\$ 570.7 million) at the end of 1964, a rise of \$ 96.8 million or 16.9 percent.

In 1965 there was practically no change in the Bank's gold reserves, the figure coming to IL 204.9 million (\$ 68.3 million). The share of gold in total gross foreign exchange holdings, as detailed above (including gold), declined from 12.6 percent at the end of 1964 to 10.2 percent at the end of 1965.

The foreign exchange reserves—excluding loans to foreign institutions and clearing account balances—were held in the form of treasury bills and bills of foreign banks, bonds of other countries and international institutions, and interest-bearing time and demand deposits in foreign banks. A small percentage of the reserves were kept in non-interest-bearing demand deposits, to finance the Bank's current operations.

Income from interest on foreign exchange reserves increased from IL 61 million (\$ 20 million) in 1964 to IL 76 million (\$ 25 million) in 1965. The rise stemmed from the growth of the reserves and from a further increase in interest rates abroad. The average annual yield on the reserves, excluding gold, rose from 4.3 percent in 1964 to about 4.7 percent in 1965 (the average annual yield on total foreign exchange and gold holdings went up from 3.7 percent in 1964 to approximately 4.2 percent in 1965).

Table XXI-2
FOREIGN EXCHANGE AND GOLD BALANCES HELD BY THE BANK
OF ISRAEL, 1964-65

(\$ million)

| End of period | Foreign exchange | Gold | Foreign loans | Net balance in clearing accounts | Total balances (gross) | Less: Deposits of non- residents | Net balances |
|---------------|---------------------|------|------------------|---|------------------------------|---|-----------------|
| 1964 December | 476.8 | 68.2 | 14.6 | 2.2 | 561.8 | 21.9 | 539.9 |
| 1965 January | 479.8 | 68.2 | 14.5 | 3.1 | 565.6 | 23.7 | 541.9 |
| February | 487.8 | 68.2 | 14.7 | 4.4 | 575.1 | 22.6 | 552.6 |
| March | 543.4 | 68.2 | 12.6 | 4.7 | 628.9 | 22.3 | 606.6 |
| April | 535.4 | 68.2 | 12.4 | 3.8 | 619.8 | 22.7 | 597.1 |
| May | 562.1 | 68.2 | 12.2 | 4.9 | 647.4 | 23.3 | 624.1 |
| June | 568.1 | 68.2 | 12.9 | 5.5 | 654.7 | 24.4 | 630.3 |
| July | 557.4 | 68.2 | 12.6 | 8.1 | 646.3 | 23.0 | 623.3 |
| August | 562.2 | 68.2 | 12.5 | 8.6 | 651.5 | 24.9 | 626.6 |
| September | 555.4 | 68.2 | 12.8 | 7.9 | 644.3 | 25.1 | 619.2 |
| October | 561.4 | 68.2 | 12.6 | 5.2 | 647.4 | 36.7 | 610.7 |
| November | 553.8 | 68.2 | 12.4 | 4.7 | 639.1 | 26.6 | 612.5 |
| December | 574.7 | 68.3 | 12.3 | 5.1 | 660.4 | 26.8 | 633.6 |

(b) Clearing accounts in connection with trade agreements

At the end of 1965 the Bank of Israel maintained clearing accounts with 11 countries with which Israel had trade and payments agreements. Payments in connection with the foreign trade carried on with these countries are effected through these accounts, in accordance with the credit terms stipulated in the payments agreements. In addition to these, there is a clearing account with the U.S.S.R., which did not originate in a trade and payments agreements but from the proceeds of the sale to the Israel Government of buildings and land owned by the U.S.S.R.; the proceeds are to be used for the purchase of goods in this country.

For several years Israel has had a favorable balance in these accounts, i.e. she has exported more to these countries than she has imported from them. The credit balances amounted to IL 24.8 million (\$ 8.3 million) at the end of 1965, while the debit balances totalled IL 9.6 million (\$ 3.2 million). The net balance to Israel's credit therefore stood at IL 15.2 million (\$ 5.1 million), as compared with IL 6.5 million (\$ 2.2 million) at the end of 1964.

(c) Foreign currency deposits

Foreign currency deposits of banking institutions with the Bank of Israel totalled IL 965.1 million (\$ 321.7 million) at the end of 1965, as against IL 779.5 million (\$ 259.8 million) at the end of 1964—a rise of IL 185.6 mil-

Table XXI-3

BALANCES IN CLEARING ACCOUNTS, 1964-65
(\$ thousand)

| (End of period) | | | |
|---|--------------|---------------|--------------------------|
| Country | 1964 | 1965 | Increase or decrease (-) |
| Brazil | 1,289 | -80 | -1,369 |
| Bulgaria | 540 | 178 | -362 |
| Czechoslovakia | 465 | 465 | — |
| Ghana | 2,339 | 2,263 | -76 |
| Greece | -1,478 | 206 | 1,684 |
| Hungary | 985 | 2,582 | 1,597 |
| Poland | -963 | -26 | 937 |
| Portugal | -963 | -1,054 | -91 |
| Rumania | 1,154 | 1,323 | 169 |
| Turkey | 367 | 1,440 | 1,073 |
| Yugoslavia | 840 | 1,317 | 477 |
| Balances in transit and other accounts* | -2,407 | -3,549 | -1,142 |
| Total | 2,168 | 5,065 | 2,897 |
| Total in IL '000 | 6,504 | 15,195 | 8,691 |

NOTE: A negative sign indicates a balance to Israel's debit, and no sign—a balance to Israel's credit.

* Including a special account with the Soviet Union, which is not connected with a payments agreement.

lion, or 23.8 percent (in 1964 the increase amounted to IL 146.6 million, or 23.2 percent).

These deposits are of various types:

(1) Time deposits held by Israeli residents in foreign currency (Pazak). These funds were deposited in banking institutions mainly by recipients of restitution payments from Germany, and the banking institutions are required to redeposit the entire sum with the Bank of Israel. At the end of the agreed period these deposits may either be renewed or converted into Israeli pounds at the prevailing official rate of exchange. Such deposits amounted to IL 611.6 million at the end of 1965, as compared with IL 476.9 million the previous year. The increase during the year reviewed thus came to \$ 44.9 million (IL 134.7 million), as compared with a rise of \$ 42.5 million in 1964. Interest payments on these deposits are shared by the Government and the Bank of Israel.

(2) Deposits of residents transferring currency (Tamam). These are foreign currency funds deposited in banking institutions by recipients of restitution payments, and they may be withdrawn in foreign currency in order to finance foreign travel, purchase foreign securities, and pay for legal expenses con-

nected with restitution claims. These sums too must be deposited in full with the Bank of Israel. At the end of 1965 these accounts totalled IL 250.6 million, compared with IL 214.9 million at the end of 1964. The increase in 1965 came to \$ 11.9 million, as contrasted with a rise of \$ 0.6 million in 1964. The Government and the Bank of Israel pay the 4.5 percent annual interest on these deposits.

(3) Foreign securities dividend accounts (Natad). These are restricted foreign currency deposits of Israeli residents in banking institutions, originating from the sale of or the receipt of dividends on foreign securities. These funds may be used only for the purchase of such securities. As of November 17, 1964 banking institutions were required to deposit these sums in full with the Bank of Israel. At the end of 1965 the balance stood at IL 12.4 million (\$ 4.1 million), as against IL 9.2 million (\$ 3.1 million) at the end of 1964.

(4) Deposits of nonresidents (Patach). These are sums deposited in Israeli banks by nonresidents (such as investors, immigrants, foreign experts employed in Israel, etc.). The total amount of these deposits in Israeli banking institutions at the end of 1965 reached IL 413.7 million (\$ 137.9 million), as compared with IL 378.6 million (\$ 126.2 million) at the end of 1964. The increase in Patach deposits during 1965 amounted to IL 35 million (\$ 12 million approximately), or 9.3 percent. The banking institutions are required to hold at least 15 percent of their Patach balances with the Bank of Israel. At the end of 1965 the sum redeposited by the banking institutions at the Bank of Israel amounted to IL 80.5 million (\$ 26.8 million), as against IL 65.7 million (\$ 21.9 million) at the end of the previous year. The increase during the year 1965 totalled IL 14.8 million (\$ 4.9 million), or 22.5 percent.

(5) Other accounts, including foreign currency accounts of the banks (Pamaz), blocked and registered accounts (Pahab) in which are deposited Israeli pound balances arising from the conversion of foreign currency by tourists etc., and import deposit accounts (Hay), in which commercial banks hold importers' deposits connected with the issue of import licenses on a cash financing basis. These various accounts aggregated IL 10.1 million at the end of 1965, as compared with IL 12.7 million at the end of 1964.

3. THE BANK OF ISRAEL AS BANKER TO THE GOVERNMENT

The Government's net debt to the Bank of Israel, after deducting its creditory accounts, rose by IL 14.0 million in 1965. The outstanding debt at the end of the year stood at IL 143.6 million.

(a) *Debit and credit accounts*

In the latter part of 1965 the Bank of Israel revised its balance sheet classifications, as a result of which the item "Advances to the Government"

was eliminated. Government withdrawals from and deposits in the Bank are reflected by changes in the items "Government deposits". The Government's long-term indebtedness was pared by IL 55.7 million in 1965 following the reduction of the balance of the advance for the early repayment of foreign liabilities and the payment of a Government note for IL 2.1 million. The total decrease in the Government's liabilities amounted to IL 108.4 million. The Government's creditory accounts—deposits with the Bank of Israel in local and foreign currency—declined during the year by IL 123.9 million.

Table XXI-4

**GOVERNMENT ACCOUNTS WITH THE BANK OF ISRAEL,^a
1964-65**

(IL million)

(End of period)

| | 1964 | 1965 |
|---|--------|--------|
| Debit | | |
| Ordinary advances, in Israeli currency | 52.7 | — |
| Total current liabilities | 52.7 | — |
| Special advances and Govt. securities | | |
| Treasury bills | 69.4 | 69.4 |
| Land bills | 77.2 | 77.2 |
| Promissory notes | 2.1 | — |
| Absorption and Defense Advance | 92.4 | 92.4 |
| Advance for repayment of external debts | 111.0 | 57.4 |
| Total long-term debt | 352.1 | 296.4 |
| Total liabilities | 404.8 | 296.4 |
| Credit | | |
| Deposits in Israeli currency | 104.0 | 12.6 |
| Compulsory saving deposits | 38.4 | 39.7 |
| Foreign currency accounts | 111.7 | 77.9 |
| Total credit accounts | 254.1 | 130.2 |
| Balance | -150.7 | -166.2 |
| Contingent accounts | | |
| Food surplus accounts | 150.3 | 172.4 |

^a Excluding capital accounts.

(b) Contingent liabilities

The balance of contingent accounts, which are connected with agricultural surpluses made available to the Government of Israel by the U.S. Government,

increased from IL 150.3 million at the end of 1964 to IL 172.4 million at the end of 1965. The deposits of the U.S. Government originating from the sale of surplus food are held at the Bank of Israel, and the Government of Israel draws on them.

(c) Government imports

In 1965 the Bank opened documentary credit accounts to the amount of IL 234.3 million, as against IL 163.9 million the year before (\$ 78.1 million and \$ 54.6 million respectively), in order to finance imports by Government departments. The amount of documentary credits received by the Bank of Israel in 1965 from foreign banks and suppliers for collection from Government departments remained unchanged at IL 39.4 million (\$ 13.1 million).

Government imports, financed by credits from the Bank of Israel, increased in 1965 by IL 70.4 million (\$ 23.5 million), or 34.6 percent.

4. THE BANK OF ISRAEL AS THE "BANKERS' BANKER"

(a) Deposits of banks and financial institutions

Deposits kept by banking institutions with the Bank of Israel went up from IL 1,323.0 million at the end of 1964 to IL 1,587.0 million at the end of 1965. These figures include foreign currency deposits of IL 779.5 million (\$ 259.8 million) and IL 965.1 million (\$ 321.7 million) respectively. Some of these are obligatory deposits, since banking institutions are legally required to hold with the Bank of Israel not less than 15 percent of their local currency demand and time deposits. These obligatory balances expanded from IL 175.0 million at the end of 1964 to IL 195.4 million in line with the growth of the public's bank deposits during the year.

Apart from the obligatory balances,¹ the banks keep other local currency demand and time deposits with the Bank of Israel, in accordance with the liquidity regulations. The former increased in 1965 from IL 87.0 million to IL 91.5 million, while the latter rose from IL 281.5 million to IL 335.0 million. The increase was due to the growth of bank deposits by the public and the rise in the effective liquidity ratio of the banking institutions.

As stated above, the banks are likewise required to hold most of their foreign currency deposits with the Bank of Israel. In addition to the Pazak and Tamam accounts, which are obligatory, they must keep at the central bank a minimum balance of 15 percent of total nonresidents' deposits (Patach).

Deposits of nonbank financial institutions, which are also required to maintain

¹ Minimum balance.

a minimum reserve with the central bank, totalled IL 4.5 million at the end of 1965, as compared with IL 1.5 million at the end of 1964.¹

(b) *Rediscounts*

The balance of rediscounted bills in local currency rose from IL 68.4 million at the end of 1964 to IL 74.0 million at the end of 1965. The entire sum was once again rediscounted through the Export Finance Fund. In order to enable the commercial banks to continue extending loans to exporters at 6 percent interest, the Government and the Bank of Israel reduced the interest which they charge on their contribution to the Fund from 2 percent to only ½ percent.

Table XXI-5
REDISCOUNTS, BY SECTOR, 1964-65

(IL thousand)

(End of period)

| Sector | 1964 | | 1965 | |
|-------------------------------------|----------------|------------------|----------------|------------------|
| | Local currency | Foreign currency | Local currency | Foreign currency |
| Agriculture | 860 | 378 | 2,218 | — |
| Industry | 67,576 | 25,316 | 71,827 | 30,118 |
| Construction ^a | — | 16,897 | — | 18,111 |
| Public services | — | 4,305 | — | 3,183 |
| National Institutions | — | 15,844 | — | 13,785 |
| Total | 68,436 | 62,740 | 74,045 | 65,197 |
| Total in local and foreign currency | 131,176 | | 139,242 | |
| Less: Bills sold to banks | 15,610 | | — | |
| Balance | 115,566 | | 139,242 | |

^a Foreign trade and construction jobs abroad.

The balance of rediscounted bills in foreign currency went up from IL 47.1 million at the end of 1964 to IL 65.2 million at the end of 1965. However, as will be explained below, the rise was actually smaller—from IL 62.7 million to IL 65.2 million. This increase was accompanied by a further slight change in the sectorial composition of the discounts—an increase in respect of

¹ At the beginning of 1966 the rates of interest paid by the Bank of Israel on bank and financial institution deposits were revised. The rates paid on the various types of local currency deposits in 1965 will be found in the Annual Report for 1962, p. 467, and on foreign currency deposits, in the Annual Report for 1963, p. 437.

industry and commerce and a decrease in respect of public services and the National Institutions.

The increase in foreign currency rediscounts in 1965 was greater than during the previous year, amounting to IL 18.1 million (\$ 6 million). As indicated in the Bank of Israel's Annual Report for 1964, the sale of discounted bills to the commercial banks within the framework of unexploited exemptions from the liquidity regulations was discontinued in February 1965. The balance of bills held by the banks at the end of 1964 totalled IL 15.6 million, all of it in foreign currency. These bills were returned to the Bank of Israel during the early months of 1965. From the accounting aspect, this action increased the balance of foreign currency rediscounts. According to this calculation, the figure went up from IL 47.1 million at the end of 1964 to IL 65.2 million at the end of 1965.

5. CURRENCY IN CIRCULATION

The monthly average of currency in circulation each Wednesday went up by 11.7 percent—from IL 645.8 million in December 1964 to IL 721.3 million in December 1965. This was the same percentage growth as in 1964,

Table XXI-6
CURRENCY IN CIRCULATION, 1965
(IL thousand)
(Wednesday averages)

| Month | Currency in circulation |
|---------------|-------------------------|
| 1964 December | 645,829 |
| 1965 January | 646,738 |
| February | 655,041 |
| March | 666,352 |
| April | 690,485 |
| May | 686,357 |
| June | 686,624 |
| July | 695,321 |
| August | 705,970 |
| September | 715,331 |
| October | 736,147 |
| November | 737,957 |
| December | 721,260 |

whereas in 1963 the increase amounted to 27.9 percent. The expansion was steady throughout most of the year, with the biggest increases occurring in April and October (the holiday periods) and no rise at all taking place in May and June.

(a) *Currency in circulation, by denomination and series*

In 1965 the total value of IL 50 banknotes in circulation continued to increase, and their relative share in the value of all banknotes went up from 65.9 to 71.7 percent. The proportion of IL 10 banknotes declined from 29.0 to 23.5 percent and that of IL 5 notes from 3.0 to 2.7 percent, whereas IL 1 and IL ½ banknotes showed no change as compared with 1964 and constituted 2.0 and 0.1 percent respectively of the total value of banknotes in circulation. The IL ½ banknotes were in fact withdrawn from circulation and replaced by metal coins of the same denomination.

Substantial changes occurred during the year in the composition of coins in circulation. The rise of IL 2.9 million in the total value of coins in circulation resulted from an increase in all the agorot series as follows:

| Coin | Value (IL million) |
|---------------------|-----------------------|
| 1 agora | 0.3 |
| 5 agorot | 0.2 |
| 10 agorot | 0.7 |
| 25 agorot | 0.1 |
| IL ½ | 1.2 |
| IL 1 | 0.1 |
| Commemorative coins | 0.3 |
| Total | 2.9 |

The replacement of old coins denominated in prutot by coins denominated in agorot, which was begun in 1960, continued in 1965. At the end of the year the new coins denominated in agorot (including those in denominations of IL ½ and IL 1) constituted 74.3 percent of the value of all coins in circulation, as compared with 71.2 percent at the end of 1964.

Table XXI-7

NOTES AND COIN IN CIRCULATION, BY DENOMINATION, 1964-65

(End of period)

| Denomination | 1964 | | 1965 | |
|-------------------------------|---------|-------|---------|-------|
| | IL '000 | % | IL '000 | % |
| Banknotes | | | | |
| IL ½ | 861 | 0.1 | 554 | 0.1 |
| IL 1 | 11,721 | 2.0 | 13,191 | 2.0 |
| IL 5 | 18,087 | 3.0 | 17,976 | 2.7 |
| IL 10 | 173,829 | 29.0 | 156,771 | 23.5 |
| IL 50 | 395,220 | 65.9 | 478,234 | 71.7 |
| Total banknotes | 599,718 | 100.0 | 666,726 | 100.0 |
| Coins | | | | |
| 1 pruta | 5 | — | 5 | — |
| 5 prutot | 48 | 0.3 | 48 | 0.2 |
| 10 prutot | 333 | 2.0 | 316 | 1.6 |
| 25 prutot | 167 | 1.0 | 165 | 0.8 |
| 50 prutot | 519 | 3.1 | 505 | 2.6 |
| 100 prutot | 343 | 2.0 | 338 | 1.7 |
| 250 prutot* | 591 | 3.5 | 601 | 3.0 |
| 500 prutot (silver) | 22 | 0.1 | 22 | 0.1 |
| 1 agora | 768 | 4.5 | 1,084 | 5.5 |
| 5 agorot | 1,478 | 8.7 | 1,668 | 8.4 |
| 10 agorot | 3,391 | 20.0 | 4,109 | 20.7 |
| 25 agorot | 1,381 | 8.1 | 1,540 | 7.7 |
| IL ½ | 3,719 | 21.9 | 4,885 | 24.5 |
| IL 1 | 1,365 | 8.0 | 1,489 | 7.5 |
| Commemorative coins | | | | |
| IL ½ | 27 | 0.2 | 27 | 0.1 |
| IL 1 | 272 | 1.6 | 307 | 1.5 |
| IL 5 | 1,159 | 6.8 | 1,411 | 7.1 |
| IL 20 (gold) | 201 | 1.2 | 201 | 1.0 |
| IL 50 (gold) | 599 | 3.5 | 599 | 3.0 |
| IL 100 (gold) | 594 | 3.5 | 594 | 3.0 |
| Total coins | 16,982 | 100.0 | 19,914 | 100.0 |
| Total currency in circulation | 616,700 | — | 686,640 | — |

* Including paper tokens and silver coins.

At the end of 1965 the composition of the coins in circulation was as follows:

| | Percent |
|-----------------------------------|---------|
| Old coins (denominated in prutot) | 10.0 |
| New coins (denominated in agorot) | 42.3 |
| IL 1 and IL ½ coins | 32.0 |
| Commemorative coins | 15.7 |
| Total | 100.0 |

(b) *Damaged currency*

During the year reviewed the unit for the destruction of unusable notes and coin destroyed IL 247.3 million worth of banknotes, IL 64,000 worth of metal coins and IL 70 worth of paper tokens. It was mostly the old 10 prutot metal coins that were melted down during the year. The destroyed currency consisted of both damaged currency and currency from earlier series which were withdrawn from circulation before 1965.

(c) *Exchange of banknotes of the Bank Leumi le-Israel issue*

In accordance with the Banknote Exchange Law, 1961, which was promulgated by the Knesset in February 1961 and which voids as legal tender banknotes of the Bank Leumi le-Israel issue, the Bank of Israel exchanged IL 132,212 worth of such banknotes in 1965. The balance of notes in circulation at the end of the year declined to IL 0.6 million, or about 0.09 percent of total currency in circulation.

(d) *Agencies for the supply of cash*

In 1965 a new agency was opened in Safad. The Bank of Israel now has agencies in Beersheba, Hadera, Tiberias, Netanya, Petah Tikva, Safad, and Rehovot. They supply cash to banking institutions in the provincial towns and absorb their surplus cash.

In addition to these, there are agencies in the head offices of the three largest banks in Tel Aviv and in their main Haifa branches. These arrangements have achieved greater economy in the transfer of funds to and from the Bank of Israel and have led to further improvements in the technical work connected with the transfer of banknotes.

6. NOTE AND COIN ISSUE

(a) *Minting of commemorative coins*

In 1965 the Bank of Israel minted one commemorative coin, on the occasion of Israel's 17th Independence Day. The coin has a silver content of 90 per-

Table XXI-8

COMMEMORATIVE COINS ISSUED BY THE BANK OF ISRAEL

| Coin | Place minted | Amount minted (units) |
|---------------------------------|--------------|-----------------------|
| 1. Half-shekel coins | | |
| 1960/61 | Utrecht | 25,004 |
| 1961/62 | Utrecht | 30,000 |
| 2. Hanukka coins—IL 1 | | |
| 1958/59 (Torah is Light) | Berne | 255,000 |
| 1959/60 (Degania) | Utrecht | 105,000 |
| 1960/61 (Henrietta Szold) | Utrecht | 20,000 |
| 1961/62 (Maccabees) | Utrecht | 30,001 |
| 1962/63 (Hanukka A) | Berne | 16,190 |
| 1963/64 (Hanukka B) | Utrecht | 15,500 |
| 3. Independence Day coins—IL 5 | | |
| 1957/58 (Menorah) | Utrecht | 102,000 |
| 1958/59 (Ingathering of Exiles) | Berne | 105,099* |
| 1959/60 (Herzl) | Berne | 50,000 |
| 1960/61 (Bar Mitzva) | Utrecht | 25,000 |
| 1961/62 (Development) | Utrecht | 15,500 |
| 1962/63 (Seafaring) | Rome | 10,490 |
| 1963/64 (Israel Museum) | Rome | 15,600 |
| 1964/65 (Knesset) | Rome | 33,002 |
| 4. Gold coins | | |
| IL 30 1959/60 (Herzl) | Berne | 10,510 |
| IL 50 1960-62 (Weizmann) | Berne | 6,002 |
| IL 100 1960-62 (Weizmann) | Berne | 6,203 |
| IL 50 1964/65 (Bank of Israel) | Berne | 7,516 |

* Of which 21,000 units were destroyed.

cent and a nominal value of IL 5, weighs 25 grams, and has a diameter of 34 mm. The coin depicts the new Knesset (Parliament) building being erected in Jerusalem.

Table XXI-9

COINS MINTED FOR THE BANK OF ISRAEL, 1959/60 TO 1964/65

(units)

| Value | Place minted | 1959/60 | 1960/61 | 1961/62 | 1962/63 | 1963/64 | 1964/65 |
|-----------|--------------|------------|------------|------------|------------|------------|------------|
| 1 agora | I.C.I. | 12,768,000 | 19,262,000 | | | | |
| | Berne | | | 10,600,000 | 6,000,000 | 4,950,000 | 10,000,024 |
| | Tel Aviv | | | 3,900,000 | 8,804,000 | 22,602,241 | 10,707,625 |
| | Total | 12,768,000 | 19,262,000 | 14,500,000 | 14,804,000 | 27,552,241 | 20,707,649 |
| 5 agorot | I.C.I. | | 5,000,000 | | | | |
| | Berne | | 5,012,000 | | | | |
| | Tel Aviv | 8,019,000 | 10,078,000 | 11,198,000 | 1,429,000 | 21,451 | 201,281 |
| | Total | 8,019,000 | 20,090,000 | 11,198,000 | 1,429,000 | 21,451 | 201,281 |
| 10 agorot | I.C.I. | | 5,000,000 | | | | |
| | Berne | | 95,000 | | | | |
| | Tel Aviv | 14,397,000 | 7,726,000 | 8,845,000 | 3,931,000 | 3,612,423 | 200,561 |
| | Total | 14,397,000 | 12,821,000 | 8,845,000 | 3,931,000 | 3,612,423 | 200,561 |
| 25 agorot | Berne | 40,000 | 2,010,000 | | | | |
| | Utrecht | | 5,000 | | | | |
| | Tel Aviv | 4,351,000 | 2,994,000 | 882,000 | 194,000 | | 186,544 |
| | Total | 4,391,000 | 5,009,000 | 882,000 | 194,000 | | 186,544 |
| IL ½ | Berne | | | | 14,000 | | |
| | Tel Aviv | | | | 5,593,000 | 3,761,890 | 1,551,167 |
| | Total | | | | 5,607,000 | 3,761,890 | 1,551,167 |
| IL 1 | Berne | | | | 32,000 | | |
| | Tel Aviv | | | | 4,180,000 | | 166,053 |
| | Total | | | | 4,212,000 | | 166,053 |

(b) *Coin in circulation*

In 1965 the following coins were minted for the Bank of Israel:

| Coin | No. of units | Value |
|-----------|--------------|-----------------|
| 1 agora | 29,356,207 | IL 293,562.07 |
| 5 agorot | 301,551 | 15,077.55 |
| 10 agorot | 3,053,638 | 305,363.80 |
| 25 agorot | 286,545 | 71,636.25 |
| IL 1/2 | 2,755,450 | 1,377,725.00 |
| IL 1 | 266,033 | 266,033.00 |
| Total | 36,019,424 | IL 2,329,397.67 |

The various coins issued by the Bank of Israel until the year 1964/65 inclusive are summarized in Table 9.

(c) *Withdrawal of coins and banknotes*

The withdrawal of old coins denominated in prutot and the replacement of IL 1/2 banknotes by coins of this denomination continued in 1965. Sixty tons of coins were sold as scrap metal. The coins denominated in prutot (mostly 10 prutot) not yet withdrawn comprise about 10 percent of all coins from 1 to 25 agorot in circulation at present. Although the withdrawal of coins is continuing, a substantial part of those still in circulation presumably are in the hands of collectors. The value of IL 1/2 coins amounted to more than 90 percent of the total circulation in this denomination (banknotes and coins alike).

(d) *Committee for the planning of banknotes, coins, and commemorative coins*

The Bank is aided in all its banknote and coin issue activities by a public committee for the planning of banknotes, coins, and commemorative coins, which is attached to the Bank and which chooses the subjects of the coins and banknotes and outlines the artistic designs. The committee also judges all competitions for the design of banknotes and coins.

The committee is headed by Supreme Court Justice Dr. A. Witkon, and the other members, appointed by the Governor of the Bank of Israel, are Mr. A. Ayalon, Mr. A. Ardon, Dr. A. Biran, Mr. S. Golan, Mr. R. Dayan, Dr. R. Hecht, Mr. K. Katz, Dr. E. Lehman, Mr. T. Lurie, Mr. A. Kindler, and Dr. M. Spitzer.

7. ADMINISTRATION OF STATE LOANS

At the end of 1965 the Bank of Israel was administering 92 domestic loans, two of which were in foreign currency. The Bank also managed all local activities connected with the redemption or conversion of two foreign loans (five series) of the Government of Israel.

(a) *Domestic loans*

The outstanding balance of domestic loans denominated in Israeli currency amounted to IL 759 million at the end of 1965. The outstanding balance of domestic loans denominated in U.S. dollars was IL 23 million. During the year about IL 45 million in interest and prizes was paid on these loans, while repayments totalled IL 348.4 million.

The number of loans administered by the Bank was augmented during the year by new series of existing State loans, new loans, and new issues of public companies, as follows:

(1) Eleven additional series (25–35) of the Development Loan, 1960, totalling IL 55 million, were floated. Series 26 and 30 bear 5.5 percent interest per annum and are fully linked, principal and interest, to the consumer price index. As for the other series, the owner can choose between linkage and non-linkage at the time of redemption. If linked, interest of IL 26.66 will be paid on each IL 100 of principal; if nonlinked, the interest will be IL 66.66 per IL 100, or 10.76 percent per annum. An additional alternative is to request repayment ahead of maturity, but not before the lapse of two years from issue date. In this case repayment will be effected without linkage, with interest payments per IL 100 of principal being as follows: 24 months—IL 22 (10.45 percent per annum); after 30 months—IL 29 (10.72 percent); after 36 months—IL 36 (10.79 percent); after 42 months—IL 43 (10.76 percent); after 48 months—IL 50 (10.67 percent); after 54 months—IL 58 (10.70 percent).

(2) During 1965, 159 regular series of the Short-Term Loan, 1960 were floated, to a total value of IL 235.75 million; in addition, five special series were issued to banks, to a total value of IL 23.50 million. Of these series, IL 240.6 million worth of certificates were sold, including IL 23 million of the special series. During the year 159 series, aggregating IL 292.4 million, were redeemed.

(3) Three new debenture issues of Tefahot Israel Mortgage Bank Ltd. were floated, to a total value of IL 35 million and bearing interest of 5.5 percent. The principal and interest are linked to the consumer price index.

(4) The Israel Electric Corporation Ltd. floated one new debenture issue, totalling IL 10 million and bearing 5.5 percent interest. The principal and interest are linked to the consumer price index. The issue was floated by the Bank of Israel but is being administered by the Electric Corporation itself.

Table XXI-10
DOMESTIC LOANS ADMINISTERED BY THE BANK OF ISRAEL, 1965
(IL thousand)

| Type of loan | Number of series | Amount authorized | Amount taken up at end of 1964 | Amount issued in 1965 | Principal redeemed in 1965 | Amount taken up at end of 1965 | Interest and linkage differentials paid during the year |
|---|------------------|---------------------|--------------------------------|-----------------------|----------------------------|--------------------------------|---|
| Nonlinked loans | | | | | | | |
| Popular Loans, Premium Bonds ^a | 6 | 41,000 | 31,828 | 42 | 186 | 31,684 | 1,139 |
| Special Popular Loan, Interest-Bearing | | | | | | | |
| Mandatory Bearer Bonds | 4 | 10,000 | 3,588 | 5 | 2,258 | 1,335 ^b | 142 |
| 4% Compulsory Loan, 1952 | 1 | 20,371 ^c | 7,231 | — | 1,204 | 6,027 | 189 |
| 2½% Compulsory Loan, 1953 | 1 | 9,021 ^c | 4,416 | — | 592 | 3,824 | 105 |
| 3½% War Loan, 1954-59 | 1 | 7,500 | 234 | — | 78 | 156 | — |
| 3½% Government Loan, 1953-57 | 1 | 4,400 ^c | 2 | — | — | 2 | — |
| Immigrant Housing Loan Savings Bonds ^d | 1 | — | 112 | — | 47 | 65 | 15 |
| Short-Term Loan, 1960 ^e | 1 | 400,000 | 264,704 | 217,554 | 292,425 | 189,833 | 17,584 |
| Short-Term Loan, 1960 (loan from banks) | 1 | 50,000 | 9,191 | 23,060 | — | 32,251 | — |
| Linked loans | | | | | | | |
| Immigrant Housing Loan, Premium Bonds | 1 | ^a | 9,186 | 14 | 33 | 9,167 | 394 |
| 4½%, 6% Housing Loan, Interest-Bearing | 10 | 70,000 | 38,929 | — | 6,994 | 31,935 | 2,822 |
| 3% National Loan, 1948-63 | 1 | — | 63 | — | 5 | 58 | — |
| Defense Loan, Premium Bonds | 1 | ^f | 14,332 | — | 2,241 | 12,091 | 431 |
| 6½%, 4¾% Defense Loan, Interest-Bearing | 1 | 40,000 | 16,911 | — | 4,083 | 12,828 | 1,754 |
| 3½% Savings Certificates, Dollar-Linked | 1 | 10,000 ^g | 18,808 | — | 3,122 | 15,686 | 664 |

| | | | | | | | |
|--|-----------|---------------------|----------------|----------------|---------------------|----------------|---------------|
| 5%, 5½%, 6% Development Loan, 1960 | 35 | 225,000 | 159,430 | 56,728 | 4,871 | 211,287 | 8,915 |
| 4% Absorption Loan, 1961 | 1 | — | 12,919 | 257 | — | 13,176 | 255 |
| 4% Absorption Loan, 1962 | 1 | — | — | 22,916 | — | 22,916 | 143 |
| 6% Insurance Companies Loan ^a | 1 | 100,000 | 10,538 | 8,717 | — | 19,255 | 1,144 |
| 6% Debentures, Industrial Bank of Israel Ltd. | 2 | 15,000 | 6,611 | — | 2,363 | 4,248 | 802 |
| 5% National Oil Company Ltd. | 4 | 45,000 | 41,453 | 5,000 | 5,656 | 40,797 | 2,990 |
| 6%, 6½% Local Authorities Loan | 1 | 10,000 | 11,003 | — | 1,526 | 9,477 | 499 |
| Jewish Agency Immigration Loan, Premium Bonds | 1 | 10,000 | 8,501 | — | 3,095 | 5,406 | 215 |
| 5%, 6% Debentures, Israel Electric Corporation | 3 | 37,000 | 16,417 | — | 16,417 ^d | — | 553 |
| 5%, 5½%, 6½% Debentures of Tefahot Israel Mortgage Bank | 9 | 93,000 | 56,628 | 30,377 | 1,208 | 85,797 | 4,182 |
| Total | 90 | — | 743,035 | 364,670 | 348,404 | 759,301 | 44,937 |
| Domestic loans in foreign currency | | | | | | | |
| 3½% Tavei Dollar, 1951 | 1 | 75,000 ^e | 30,791 | — | 7,392 | 23,399 | 984 |
| Certificates of Obligation against Foreign Currency | 1 | — | 1 | — | — | 1 | — |
| Total | 2 | — | 30,792 | — | 7,392 | 23,400 | 984 |

^a Incremental amount taken up as a result of the redemption of bonds held by the Bank of Israel on behalf of the Accountant General.

^b Bonds registered in Israel alone. The amount redeemed includes bonds which were permitted to be taken out of the country and were struck off the Israeli register.

^c Amount actually sold by the end of 1964.

^d Included in the authorized amount of the interest-bearing Immigrant Housing Loan.

^e A new series may be issued to replace a series fully redeemed.

^f Included in the authorized amount of the interest-bearing Defense Loan.

^g According to the linkage terms of the loan, each IL equals \$ 2.80.

^h An additional IL 11,945,000 was deposited for the purchase of debentures from this loan. The debentures have not yet been issued, but interest of IL 497,000 has been paid to the depositors.

ⁱ The Israel Electric Corporation is administering the redemption of those debentures still in circulation.

^j The amount authorized and issued is denominated in U.S. dollars and totalled \$ 25 million at the end of 1965; the equivalent IL value was calculated at the official rate of exchange.

(5) Deposits of insurance companies toward the purchase of debentures of the Insurance Companies Loan amounted to about IL 12 million in 1965.

(b) Payments, lotteries, and conversions

During the year 34 drawings of various prize-bearing loans were held, as well as 15 drawings for the redemption of principal. Total winnings amounted to IL 6.8 million, while unclaimed winnings at the end of the year came to IL 2.1 million.

The conversion of dollar-linked Savings Certificates, 1951 (registered) into 3.5 percent interest-bearing certificates (bearer) continued in 1965. Savings certificates to the nominal value of IL 43,610 were converted during the year; at the rate of IL 8.40 per IL 1 of nominal value, this amounted to IL 366,000. In addition, the seventh annual instalment of the Tavei-Dollar Loan, 1951 was redeemed.

The distribution of certificates of the Absorption Loan, 1961 continued in 1965; the nominal value of certificates in circulation at the end of the year amounted to IL 13.2 million.

The distribution of certificates of the Absorption Loan, 1962 was started in 1965 and will continue in 1966. By the end of 1965 the Bank had distributed IL 22.9 million worth of certificates to 247,368 persons.

At the end of 1965 the Bank of Israel still retained about 24,000 certificates of the 1961 Absorption Loan and 35,800 of the 1962 Loan, which had been returned by the Post Office for various reasons, and this despite the large number of certificates from both series that had been remailed.

(c) Foreign loans

The Bank of Israel handles the conversion and early redemption of Independence and Development Bonds (five series altogether: one registered and one bearer Independence Loan series and three Development Loan series). The Bonds are converted in accordance with the terms of the loan, set forth in the agreement with Israel's fiscal agent in the United States (Chase Manhattan Bank in New York), and subject to the instructions of the Foreign Currency Department of the Treasury.

The conversion of Independence and Development Bonds into Israeli pounds amounted to \$ 17.3 million in 1965, as compared with \$ 25.2 million in 1964. Of the amount redeemed, 50.2 percent was used to finance investments in Israeli enterprises by foreign investors, 22 percent was spent by tourists during their stay in this country, and the remaining 27.8 percent was donated to Israeli institutions or transferred as gifts to Israeli residents.

Table XXI-11

FOREIGN LOANS ADMINISTERED BY THE BANK OF ISRAEL, 1965

(\$ thousand)

| Loan | Amount subscribed at end of 1965 | Amount redeemed ^a by end of 1965 | Amount owing at end of 1965 | Amount converted into IL in 1965 | Interest paid in Israel only in 1965 (\$) |
|-------------------|---|--|-----------------------------------|---|--|
| Independence Loan | 145,533 | 112,435 | 33,098 | 735 | 115,100 |
| Development Loan | | | | | |
| First series | 234,140 | 126,206 | 107,934 | 3,309 | 451,700 |
| Second series | 293,620 | 93,684 | 199,396 | 11,648 | 629,400 |
| Third series | 154,269 | 5,296 | 148,973 | 1,613 | 34,200 |
| Total | 827,562 | 337,621 | 489,941 | 17,305 | 1,230,400 |

^a Bonds redeemed in Israeli pounds or dollars, or exchanged for later issues.

8. EXAMINATION OF BANKING AND FINANCIAL INSTITUTIONS

At the end of 1965 the Department of the Examiner of Banks in the Bank of Israel exercised control over 89 banking and financial institutions, as compared with 91 at the end of 1964.

Table XXI-12

BANKING AND FINANCIAL INSTITUTIONS UNDER
BANK OF ISRAEL SUPERVISION, 1964-65

(End of period)

| Type of institution | 1964 | 1965 |
|-------------------------------|------|------|
| Commercial banks | 27 | 28 |
| Cooperative credit societies | 23 | 20 |
| Mortgage and investment banks | 19 | 19 |
| Financial institutions | 22 | 22 |
| Total | 91 | 89 |

One new commercial bank—the “Agudat Israel” Bank Ltd.—started operations in 1965; the number of mortgage and investment banks remained unchanged. The General Zionists Mutual Credit and Savings Society Ltd. merged with Bank Zerubabel Central Cooperative Society Ltd., while Kupa Haklait Mutual Society of Rishon Lezion and Halvaa Vehisachon Haklai Cooperative Society of Herzliya transferred their banking business to Zerubabel. The Even Otzar

Baalei Nechasim Cooperative Society for Mutual Aid and Saving Ltd. received a license to engage in the receipt of deposits and granting of loans, while the Private Farmers' Fund Ltd. stopped engaging in such business.

(a) *Audits*

During the course of the year 138 audits were carried out in banking and financial institutions. These were varied in nature and included general audits, as well as partial audits of various activities, such as the handling of cash and the return of checks, and a survey on the clearance of promissory notes. The findings were brought to the attention of the central managements, with emphasis placed on the steps to be taken in order to correct the shortcomings.

Inspection of the return of checks was devoted mainly to surveying the general procedures followed and examining the accounts of clients whose checks had been returned, including their overall debt position, the credit approved, securities held, and reasons for the return of checks. Faulty procedures relating to the return of checks were uncovered in the branches of certain banking institutions, and in a few cases the maximum credit authorized by the head office had been exceeded.

The survey of promissory note clearance was carried out in two stages—before the inception of this operation through the clearinghouses on June 1, 1965, and subsequent thereto. The first was intended to examine the preliminary steps taken in preparation for the operation of promissory note clearance through the clearinghouses and to explain the procedures to be followed. The second stage was intended to test the application of the procedures instituted in accordance with the various regulations regarding the clearance of promissory notes.

(b) *Credit guarantees*

On February 7, 1965 the Banking (Ratio of Credit Guarantees) Order, 5725-1965, was gazetted and it took effect on March 1, 1965. This order prescribes the volume of guarantees which a banking or financial institution is authorized to give as security for credit.

The order covers guarantees for securing credit in both local and foreign currency, excluding that part of a guarantee against which there exists an unconditional guarantee on the part of either the State, Jewish Agency Executive, or another bank in Israel or abroad. Also excluded are guarantees which have been secured by a cash deposit, and that part of a guarantee given for a period of more than five years which will become operative two years after the date on which the guarantee balance is calculated. The order prescribes that the balance of guarantees given by a banking or financial institution shall not at any time exceed an amount three times its equity capital or one-and-a-half times its financial assets—defined in the order as cash and net deposits with other banks including the Bank of Israel—whichever sum is smaller. If in any

month the balance of guarantees given by a bank exceeds the amount authorized, it may offset the excess in the following month by reducing the balance of guarantees below the permitted amount by the amount of the excess. If it fails to do so, it must pay the Bank of Israel an amount equal to 7 percent p.a. of the average of the excess amounts of the two months.

On December 1, 1965 an amendment to the above order was gazetted, according to which the balance of credit guarantees extended by banks not engaged in banking business, such as mortgage and investment banks, shall not exceed 10 percent of their capital. In calculating the balance of guarantees limited by this order, a credit guarantee, or part of a guarantee, given originally for more than four years is not taken into account. This amendment took effect retroactively as from March 1, 1965.

For institutions whose guarantee balance exceeded the permitted amount before the date on which the order went into effect, transitional provisions were prescribed enabling them to gradually reduce the excess within one year. However, where the excess constituted more than half of the balance of credit guarantees given by the banking institution, the transitional period was extended to two years.

(c) *Bill brokerage*

The bill brokerage trade continued to expand during the year surveyed. The balance of outstanding bills rose from IL 613 million at the end of 1964 to IL 774 million at the end of 1965—an increase of IL 161 million, or 26 percent, compared with IL 179 million, or 41 percent, in 1964.

The balance of bills sold without a bank guarantee declined from IL 168 million at the end of 1963 to IL 148 million at the end of 1964, but rose to IL 161 million at the end of 1965. The proportion between this balance and total outstanding bank-negotiated bills continued to decline, amounting to 21 percent at the end of 1965 as compared with 24 percent at the end of 1964 and 39 percent at the end of 1963.

The Advisory Committee on Matters Relating to Banking Business discussed on November 8, 1965 the problem of bill brokerage transactions conducted without a guarantee, as was revealed in several institutions, and expressed the fear that should borrowers fail to honor the bills, the investors would be unable to recover their money. It thereupon recommended that all banks engaged in bill brokerage on an unguaranteed basis be required to gradually reduce such transactions until their final elimination. It stressed that the good of both the public and the banks themselves required that all brokerage transactions be carried out only with a bank guarantee.

(d) *Annual balance sheets of the commercial banks*

In previous years criticism has been expressed over the absence of a standard form of balance sheet presentation, a fact which rendered incomparable the

data published by various banks (owing to the inclusion of several balance sheet details under one item) and in some cases made it impossible to obtain a clear picture of the asset and liability structure.

The Advisory Committee on Matters Relating to Banking Business discussed this problem and decided that the banks should be requested to present their balance sheets in a uniform manner, in conformity with the form drawn up by its subcommittee. After further consultation with the Association of Certified Public Accountants in Israel and the Association of Banks in Israel, the Examiner of Banks sent a circular on December 7, 1965 to all commercial banks requesting them to present their annual balance sheets, beginning with that for the end of 1965, in accordance with the instructions and the standard form attached to the circular.

(c) Direction of credit

The Department of the Examiner of Banks is responsible for the execution of the Bank's policy with regard to the directing of the credit extended by the banking and financial institutions. It has concentrated chiefly on the expansion of the export financing funds.

In order to encourage banking institutions to enlarge their participation in the export finance funds, the rate of interest paid by banking institutions on Government deposits in these funds, as well as on bills discounted at the Bank of Israel, was reduced from 2 percent to $\frac{1}{2}$ percent p.a., commencing February 15, 1965. The amount of financing extended by the Industrial Export Fund (which does not cover the diamond industry) for production and domestic purchases came to IL 76.0 million at the end of 1965, as compared with IL 59.0 million at the end of 1964, while credit for financing overseas shipments reached IL 47.1 million at the end of 1965, as against IL 37.5 million the year before. This brought up the balance of credit granted by the fund from IL 96.5 million at the end of 1964 to IL 123.1 million at the end of 1965, an increase of IL 26.6 million or 27.6 percent.

As of September 1, 1965, changes were introduced in the financing terms for the diamond industry. For the processing of rough diamonds, which are received on a consignment basis, a credit quota was set for each plant, based on the number of employees and the type and price of the material processed. Under this arrangement, each plant is entitled to receive credit up to 95 percent of the value of the diamonds received on consignment from the bank for processing. For rough or polished diamonds given on consignment for sales purposes, the credit period was set at one week, with the possibility of a week's extension upon presentation of the diamonds to the bank at the end of the first week.

The changes in the credit terms for the diamond industry, as well as the reduction of the stock of rough and polished diamonds, brought down the

balance of credit extended to the diamond industry from IL 113.3 million at the end of 1964 to IL 88.1 million, i.e. by IL 25.2 million.

In addition to financing through the Export Fund, export credits are granted in foreign currency with the approval of the Bank of Israel. Outstanding credit of this type amounted to IL 31.5 million at the end of 1965, compared with IL 36.8 million at the end of 1964. Of the 1965 total, IL 23.6 million had been granted to the diamond industry and the remainder to export companies, mainly for financing overseas shipments.

The Agricultural Export Fund, which was established in 1964 for financing overseas shipments only, was expanded in scope and now provides credits for the cultivation of export crops as well. Outstanding credit from this fund totalled IL 6.9 million at the end of 1965, compared with IL 4.0 million at the end of 1964.

On December 1, 1965 the Tourist Industry Finance Fund was set up to supply credit to tourist hotels and tour operators on the recommendation of the Ministry of Tourism. The arrangements in respect of the sources of funds and interest rates are similar to those for the other export funds.

It was decided to enlarge the Industrial Working Capital Fund by IL 40 million. Accordingly, as of June 1, 1965 the share of the participating banking institutions in the credit extended outside the liquidity framework was raised from 33.3 percent of the outstanding balance to 50 percent, while their share in the credit subject to the liquidity requirements was reduced from one-third to one-quarter, as was that of the Government and the Bank of Israel together. The interest paid by the banking institutions to the Government and the Bank of Israel for their share in the fund was lowered from 6.5 to 6 percent per annum.

In coordination with the Ministry of Commerce and Industry, criteria were laid down for dealing with requests for loans from this fund. Entitled to apply for credit are enterprises in development areas, those exporting part of their output, and those engaged in activities accorded priority under Government policy.

From June 1965 until the end of the year, new loans to the amount of IL 20.7 million were approved by the Industrial Working Capital Fund. Outstanding loans at the end of 1965 totalled IL 19.9 million, as against IL 8.3 million at the end of 1964.

(f) Compilation of information

The banking institutions submit to the Examiner of Banks quarterly information sheets with respect to borrowers granted credit in excess of IL 100,000. At the end of 1965 such credit constituted 66 percent of total credit extended to the public by the banking institutions. The Department compiles the data and notifies the banking institutions of the obligations of such borrowers to all the banking institutions which reported.

Table XXI-13
MAJOR BORROWERS, 1964-65

(End of period)

| | 1964 | 1965 |
|--|---------|---------|
| No. of banking institutions submitting reports | 37 | 37 |
| No. of borrowers included in reports | 1,439 | 1,507 |
| Total value of loans granted to major borrowers (IL million) | 1,411.3 | 1,589.3 |
| Percent of total loans granted by banking institutions | 66.5 | 65.8 |

(g) *List of promissory note defaulters*

With the introduction of promissory note clearance on June 1, 1965, the Department of the Examiner of Banks began to compile information on signers failing to honor their notes on due date and to submit the list to the institutions which reported. During the months June-September institutions reported on defaulted notes in excess of IL 5,000. On a weekly average, the number of notes came to 174, totalling IL 1.5 million.

Table XXI-14
DISHONORED PROMISSORY NOTES, JUNE 1, 1965 TO JANUARY 7, 1966

| Period | No. of weeks | Total | | Weekly average | |
|---------------------------------|--------------|--------------|------------------|----------------|------------------|
| | | No. of notes | Amount (IL '000) | No. | Amount (IL '000) |
| June 1, 1965-July 2, 1965 | 5 | 837 | 6,725 | 167 | 1,345 |
| July 4, 1965-October 1, 1965 | 13 | 2,378 | 20,126 | 183 | 1,548 |
| October 3, 1965-January 7, 1966 | 14 | 5,679 | 38,949 | 406 | 2,782 |
| Total | 32 | 8,894 | 65,800 | 278 | 2,056 |

Several weeks after the institution of this arrangement, the number of defaulted notes declined, and it was therefore decided to lower the minimum amount to be reported to IL 3,000, as from October 1965. During the months October-December the weekly average number of notes reported by the institutions was 406, totalling IL 2.8 million.

(h) *Bank branches*

At the end of 1965 the number of bank branches, excluding head offices, stood at 668, as against 646 at the end of 1964. This increase of 22 compares with one of 27 in 1964.

A subcommittee of the Bank's Advisory Council dealt with about 250 applications in 1965 for permits to open new branches, and in September it recommended that the Governor of the Bank of Israel permit the opening of 21 new branches in 1966. The amendment to the Banking Ordinance regulating the grant of permits for new branches was due to lapse on March 31, 1966, but the Banking Ordinance (Amendment No. 8) Law, adopted by the Knesset at the beginning of March 1965, extended, with slight changes, the validity of this arrangement to June 30, 1971.

(i) *Advisory Committee on Matters Relating to Banking Business*

The committee discussed several problems relating to the banking system, among them arrangements for the limitation of credit guarantees issued by banking and financial institutions, extension of the period of validity for authorizing the opening of new branches, presentation of annual balance sheets, institution of daily reporting by banks, and bill brokerage conducted without a bank guarantee.

(j) *Advisory Committee on Cooperative Credit Societies*

The committee held discussions on matters relating to cooperative credit societies, including arrangements for the limitation of credit guarantees, amendment of the liquidity regulations, and changes regarding directed credit.

9. THE CLEARINGHOUSES

(a) *Clearance of promissory notes*

On June 1, 1965 the clearance of promissory notes through the existing clearinghouses was initiated, in accordance with the procedures worked out by the Clearinghouse Committee during the previous year. The new arrangement is intended to regularize note collection procedures. Previously, an institution receiving a note would send a credit note through the clearinghouse to the institution sending the note, but only after collection was effected. There was generally a considerable time lag between the date of payment recorded on the note and the date of collection, as well as between the latter date and the date on which the credit note was sent. Defaulted notes were very often returned much later than the due date. Under the new arrangement the proceeds from a note submitted to a banking institution for collection are received within one day (two days in the case of remote localities) after the due date, provided the note has been paid on time. If the note is not honored on the due date, it is returned immediately.

The new procedure allows the signer to concentrate all his notes in the bank where he maintains his account. Moreover, he can authorize the bank to debit his account when the notes mature, thereby saving himself the bother

of searching for his notes in various banking institutions. This also eliminates the need for the latter to send him collection notices.

The clearance of promissory notes has worked successfully, thanks mainly to the cooperation of both the banking institutions and the signers, and thus has contributed greatly to improving the payments mechanism.

(b) *Volume of clearing*

The value of check clearings continued to show a slower growth rate in 1965. On June 1 the clearance of promissory notes through the clearinghouses was instituted, as described above, and as of this date they are included in the data on clearing volume. It should be noted that part of the increase in clearing volume in 1965 was due to the inclusion of promissory notes in the figures.

The value of checks and notes returned was higher than in 1964, amounting to 4.4 percent of the value of the instruments presented, as compared with 3.5 percent in 1964. This increase reflects the relatively high rate of promissory notes returned in comparison with checks.

Table XXI-15

VOLUME OF CLEARINGS (EXCL. CREDIT NOTES), 1963-65

(IL million)

| | 1963 | | 1964 | | 1965 | |
|-------------------------------|------------------|-----------------|------------------|-----------------|------------------------------|-----------------------------|
| | Checks presented | Checks returned | Checks presented | Checks returned | Items ^a presented | Items ^a returned |
| Urban clearings | | | | | | |
| Jerusalem | 2,353 | 45 | 2,682 | 58 | 3,038 | 69 |
| Tel Aviv | 11,044 | 421 | 13,118 | 518 | 15,132 | 721 |
| Haifa | 2,578 | 69 | 2,908 | 87 | 3,367 | 152 |
| Total | 15,975 | 535 | 18,708 | 663 | 21,537 | 942 |
| Local clearings ^b | 16 | — | 25 | — | 36 | — |
| All clearinghouses | 15,991 | 535 | 18,733 | 663 | 21,573 | 942 |
| Increase over previous year • | | | | | | |
| IL million | | | 2,742 | 128 | 2,840 | 279 |
| Percent | | | 17.1 | 23.9 | 15.2 | 42.1 |

^a Promissory notes included as of June 1, 1965.

^b The value of checks returned from the local clearinghouses is reflected in the figures on urban clearinghouse returns. In December 1963 several additional local clearinghouses began to operate.

As stated above, before the institution of promissory note clearance on June 1, 1965, the banking institutions would transmit the collection proceeds through the clearinghouses by means of credit notes. Under the new system, the proceeds are transmitted by means of debit notes, and this has naturally reduced the value of credit notes passing through the Tel Aviv and Haifa clearinghouses. In contrast, the value of credit notes passing through the Jerusalem clearinghouse has continued to rise, as a result of the increase in Government and Bank of Israel clearing transfers (see Table XXI-16).

Table XXI-16
CLEARING OF CREDIT NOTES, 1962-65
(IL million)

| Clearinghouse | 1962 | 1963 | 1964 | 1965 |
|--------------------|-------|-------|-------|-------|
| Jerusalem | 385 | 669 | 926 | 1,281 |
| Tel Aviv | 592 | 1,200 | 1,354 | 1,201 |
| Haifa | 98 | 135 | 188 | 136 |
| All clearinghouses | 1,075 | 2,004 | 2,468 | 2,618 |

10. PROFIT AND LOSS ACCOUNT AND DISTRIBUTION OF PROFITS

The Bank's net profit for 1965 totalled IL 34.5 million, as compared with IL 25.0 million in 1964. On the income side, the most striking increase was once again in interest on deposits and investments abroad: such income, which is in foreign currency, amounted to IL 75.6 million as against IL 61.8 million in 1964—a rise of IL 13.8 million, or \$ 4.8 million. There was a decrease in income from rediscounting operations in both local and foreign currency, from IL 11.2 million at the end of 1964 to IL 9.8 million at the end of 1965. The Bank's outlay on interest, administration, and other expense items went up from IL 58.0 million to IL 61.4 million. The main increase was in interest payments to banks.

In accordance with the provisions of the Bank of Israel Law, the entire net profit was transferred to the Treasury as budgetary income.

11. ECONOMIC RESEARCH

Current research on developments in Israel's economy, conducted by the Research Department, is published in the Bank's Annual Report, in the periodic bulletins of the Department, and in special publications. Among the research studies published in 1965 and the beginning of 1966 were the following:

1. The National Budget for 1966. This was prepared in cooperation with the Economic Planning Authority and the Economic Advisory Staff of the Treasury and was submitted to the Knesset on February 14, 1966.

2. A periodic internal survey of the main economic developments, as well as a periodic survey of developments in the monetary field.

3. Financial Changes in Israel's Industrial Companies in 1963.

4. Income and Expenses of Banking Institutions in 1964.

5. The Financial Structure of Israel's Mortgage Banks, 1958-64.

6. The Growth of Ownership of Durable Goods in Israel.

7. Household Saving in Israel—A Problematic Concept.

8. New Issues and Profitability of Investment in Common Stock, 1959-64.

9. Changes in the Quality of Labor Input in Israel, 1950-61.

10. Development of Nonprofit Institutions, 1957-64.

11. Allocation of Short-Term Bank Credit to Israel's Industrial Companies, 1956/57-1963/64.

12. The Influence of German Reparations on Israel's Economy, a study by Dr. F. Ginor, Economic Adviser to the Governor of the Bank.

A Research Department team continued with the development of a multi-branch model for forecasting purposes. The model has already been put to use, in several instances at the request of various Government departments.

A study of the financial structure of Israel's hotel industry in the years 1962-63 was carried out in cooperation with the Tourist Development Corporation and published by the latter. A similar study will be conducted for the years 1964-65.

Among the researches which have not yet been completed are the following:

1. A survey of family savings in Israel, which was begun in cooperation with the Central Bureau of Statistics and is patterned along the lines of the surveys conducted in 1957/58 and 1958/59.

2. A study of money flows in the economy, the framework for which was developed by the late Carmela Monetta. A current analysis of money flows appears regularly in the Annual Reports of the Bank, and now a comprehensive study is being carried out in order to analyze and describe the experience acquired in this field and to compare it with what is being done in other countries.

3. A continuation of the study of changes in the financial structure of Israel's industrial companies (current follow-up, periodic analysis, and analysis of such subjects as corporation savings, supplier and customer credit, etc.).

Work on other studies described in previous Annual Reports will continue in 1966.

12. THE BANK OF ISRAEL AS REPRESENTATIVE OF THE GOVERNMENT IN INTERNATIONAL FINANCIAL INSTITUTIONS

On March 31, 1965 the Board of Governors of the International Monetary Fund approved the decision to raise, *inter alia*, Israel's quota in the Fund from \$ 50 million to \$ 90 million. In June 1965 Israel officially informed the IMF through the Bank of Israel of its agreement to the increase, and at the end of March 1966 paid in the additional sum—one-quarter of it (\$ 10.0 million) in gold and the remainder in the form of non-interest-bearing notes payable on demand in Israeli pounds.

Together with the raising of the quota in the IMF, the Board of Governors of the International Bank for Reconstruction and Development (the World Bank) decided to propose that Israel, *inter alia*, subscribe to 293 additional shares of the Bank's capital, of \$ 100,000 each. Israel notified the Bank of its consent to acquire these shares, and payment therefor was also made in March 1966. One percent of the sum was paid for in U.S. dollars and 9 percent in the form of a non-interest-bearing promissory note payable on demand in Israeli pounds; the remaining 90 percent is payable only in the event the World Bank fails to meet its obligations.

In September 1965 the management of the World Bank approved a \$ 20 million loan to the Industrial Development Bank of Israel Ltd., payable over a period of 20 years at an annual interest rate of 5½ percent. The Industrial Development Bank will utilize the loan funds to further its plans for the development and expansion of industry in Israel. The loan was guaranteed by the Government of Israel and was negotiated by a team led by the Governor of the Bank of Israel.

In December 1965 the Governor of the Bank headed Israel's delegation to the session of UNCTAD's committee on Invisibles and Finance Connected with Trade, which met for the first time after its establishment at the Geneva Conference in 1964. One of the principal items on the agenda of this conference was the Horowitz Proposal, which had been presented previously by the Governor and which aims at creating a system of international guarantees and an interest equalization fund in order to enable developing countries to raise substantial sums in the world markets. The report of the World Bank on the proposal and the comments of the Governor thereon were placed before the committee. In summarizing its discussions on the subject, the committee decided "(1) To keep this item on its agenda; (2) to request the Secretary-General of UNCTAD to appoint, after consultation with Governments, persons with special experience in the field of financing and banking to serve in their personal capacities as members of a Special Group. The task of this Group would be to consider the economic and financial problems involved in the Horowitz Proposal, and similar schemes and possible variations, including any consequences they might have on other methods of bringing about the

transfer of real resources on concessional terms to the developing countries. In so doing, the Group would give due regard to the analysis in the IBRD staff study of the Horowitz Proposal; (3) the Secretary-General of UNCTAD will inform the Committee on the progress of this work at its next regular session."

In September 1965 the Governor of the Bank of Israel and the Director-General of the Ministry of Finance (alternating for the Minister of Finance) participated in the annual conference of the Governors of the International Monetary Fund and the World Bank which was held in Washington. The Minister of Finance represents Israel on the Board of Governors of the International Monetary Fund, and the Governor of the Bank of Israel represents this country on the Board of Governors of the World Bank and its affiliated institutions.

13. ADVISORY COMMITTEE AND ADVISORY COUNCIL

The Bank's Advisory Committee and Advisory Council, after hearing the Governor's periodic surveys, discussed developments in the economy. Among the subjects considered were the following: monetary policy problems, problems connected with bill brokerage and measures for limiting the volume of guarantees granted to secure credit, problems of the banking system, the Bank's relations with international financial institutions, administration and investment of the Bank's foreign currency reserves, and matters of the Bank's administration. The Advisory Committee and the Advisory Council approved the Bank's balance sheet as of the end of 1964, the profit and loss account for 1964, and the Bank's operating budget for 1965.

The Advisory Council approved the issue of the 1965 commemorative coin, as required by the Bank of Israel Law.

On February 20, 1966 the Government, by virtue of the authority vested in it by the Bank of Israel Law, appointed Mr. Ze'ev Sharef, Member of Knesset, to the Advisory Committee and the Advisory Council in place of Mr. Haim Zadok, who resigned therefrom upon his appointment as Minister of Commerce and Industry.

14. THE GOVERNOR OF THE BANK OF ISRAEL AND ITS STAFF

The Third Rehovot Conference opened in Jerusalem on August 9, 1965, held sessions there and in Rehovot, and closed on August 18 in the Capital. The conference was organized by the Standing Committee of the Rehovot Conference, together with the Hebrew University, Bank of Israel, and the Weizmann Institute of Science. Co-chairmen of the Preparatory Committee for the Conference were Mr. Abba Eban, then Deputy Prime Minister; the Governor of the Bank of Israel, Mr. David Horowitz; and Professor Dan

Patinkin, Dean of the Kaplan School of Economics and Social Sciences of the Hebrew University in Jerusalem.

The theme of the Conference was the fiscal and monetary problems of developing countries. A long list of papers was prepared especially for the Conference by participants—economists, chiefly from universities in the developed countries, on the one hand, and leading business, financial, and Government personalities from developing countries on the other (the establishment of contact between these two groups was one of the aims of the Conference).

The program was prepared by a special team appointed by the Kaplan School of the Hebrew University and the Research Department of the Bank of Israel. Mr. Meir Heth, a senior economist in the Research Department, served as Coordinator of the Scientific Secretariat of the Conference, which was comprised mainly of members of the Bank's staff.

The Governor of the Bank of Israel delivered the opening address, and one of the items deliberated was the above-mentioned Horowitz Proposal.

Dr. M. Bruno, Joint-Director of the Research Department, left to serve for one year as Visiting Professor of Economics at the Massachusetts Institute of Technology and to do research in the Economics Department of Harvard University.

Mr. D. Golan resigned as Senior Adviser to the Governor upon his appointment as Director-General of the Ministry of Commerce and Industry.

Mr. Y. Milo, who had been on loan to the Ministry for Foreign Affairs, completed his tour of duty as Economic Adviser to the Israeli Embassy in Paris and upon his return to the Bank was appointed Senior Director of the Banking Department, in addition to his previous position as Director of the State Loans Administration.

Mr. Z. Sussman, Joint-Director of the Research Department, completed his advanced studies in England and resumed his work at the Bank.

Dr. B. Wasserman terminated his appointment as Senior Director of the Banking Department and was appointed Senior Adviser to the Governor.

Members of the Bank's staff participated *inter alia* in Israel's delegation to the United Nations Conference on Trade and Development held in Geneva and in various committee sessions.

As in previous years, the Bank of Israel continued to provide instruction and aid to staff members of central banks in developing countries, both in Israel and in their home countries.

Differences of opinion over the interpretation of the wage contract between the Bank of Israel and its staff, which arose as a result of developments in the economy's wage structure in 1964 and 1965, led to a labor dispute, which was submitted to arbitration at the beginning of 1966.

STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 1965

and

PROFIT AND LOSS ACCOUNT FOR THE
YEAR ENDING DECEMBER 31, 1965

BANK OF ISRAEL

STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 1965

(IL thousand)

| ASSETS | | | LIABILITIES | | |
|--|------------------|------------------|---|------------------|------------------|
| | Dec. 31, 1965 | Dec. 31, 1964 | | Dec. 31, 1965 | Dec. 31, 1964 |
| Gold | 167,437 | 167,061 | Capital | 10,000 | 10,000 |
| Gold—quota in International Monetary Fund | 37,500 | 37,500 | Reserve fund | 10,000 | 10,000 |
| Foreign currency assets | 1,724,165 | 1,430,392 | Banknotes and coin in circulation | 686,641 | 616,700 |
| Clearing accounts in connection with trade agreements | 24,841 | 22,446 | Clearing accounts in connection with trade agreements | 9,647 | 15,940 |
| Participation in international financial institutions | 11,733 | 10,826 | Deposits of international financial institutions | 2,025 | 1,676 |
| Treasury bills | 69,400 | 69,400 | Demand deposits of banking institutions (including financial institutions) | 286,912 | 261,984 |
| Land bills | 77,165 | 77,178 | Time deposits of banking institutions (including financial institutions) | 334,975 | 281,500 |
| Absorption and Defense Loan, 1959 | 92,400 | 92,400 | Foreign currency deposits of banking institutions | 965,114 | 779,525 |
| Government obligations | — | 2,100 | Government deposits | 12,634 | 104,089 |
| Advance for repayment of external debts | 57,373 | 111,022 | Government deposits—compulsory saving | 39,714 | 38,360 |
| Advances to the Government | — | 52,664 | Government deposits in foreign currency, including quota in IMF | 77,851 | 111,660 |
| Bills rediscounted—local currency | 74,045 | 68,436 | Deposits on account of U.S. food surplus purchases (see assets) | 172,350 | 150,315 |
| Bills rediscounted—foreign currency | 65,197 | 47,130 | Liabilities for documentary credits in connection with payments agreements (see assets) | 133,628 | 59,925 |
| Advances to foreign governments and institutions | 36,765 | 43,947 | Liabilities re guarantees (see assets) | 113,365 | 131,276 |
| Food surplus account (see liabilities) | 172,350 | 150,315 | Other accounts | 3,396 | 2,079 |
| Premises, equipment, etc. | — | — | | | |
| Documentary credits in connection with payments agreements (see liabilities) | 133,628 | 59,925 | | | |
| Guarantees (see liabilities) | 113,365 | 131,276 | | | |
| Other accounts | 888 | 1,011 | | | |
| | <u>2,858,252</u> | <u>2,575,029</u> | | <u>2,858,252</u> | <u>2,575,029</u> |

BANK OF ISRAEL

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1965

(IL)

| | <u>Dec. 31, 1965</u> | <u>Dec. 31, 1964</u> | | <u>Dec. 31, 1965</u> | <u>Dec. 31, 1964</u> |
|---|----------------------|----------------------|--|----------------------|----------------------|
| EXPENSES | | | INCOME | | |
| Interest paid, administrative expenses, and other | 61,437,330 | 57,999,678 | Interest, commission, and other income | 95,896,172 | 82,945,418 |
| Net profit | <u>34,458,842</u> | <u>24,945,740</u> | | | |
| | <u>95,896,172</u> | <u>82,945,418</u> | | <u>95,896,172</u> | <u>82,945,418</u> |
| DISTRIBUTION OF PROFITS | | | | | |
| Transferred to the Accountant General | 34,458,842 | 24,945,740 | Net profit | 34,458,842 | 24,945,740 |
| | <u>34,458,842</u> | <u>24,945,740</u> | | <u>34,458,842</u> | <u>24,945,740</u> |

BANK OF ISRAEL
THE GOVERNOR AND MEMBERS OF THE ADVISORY
COMMITTEE AND ADVISORY COUNCIL
MAY 1966

Governor

D. HOROWITZ

Advisory Committee

Y. CHORIN, *Chairman*
M. CHAZANI, *Deputy-Chairman*
S. BEJARANO
Y. FOERDER
Z. SHAREF
A. SHECHTER
A. ZABARSKI

Advisory Council

Y. CHORIN, *Chairman*
M. CHAZANI, *Deputy-Chairman*
Y. BADER
A. BECKER
S. BEJARANO
N. FEINGOLD
Y. FOERDER
E. HACHOEN
Z. ONN
E. OSTASHINSKY
D. PATINKIN
D. RECANATI
Z. SHAREF
A. SHECHTER
A. ZABARSKI