March 25, 2008

Summary of working meeting on March 24, 2008 with representatives of contributor banks

Participants:
Telbor Committee members:
Harel Cordova, HSBC
Roy Stein, Bank of Israel
Sharon Lavi, Tel Aviv Stock Exchange
Contributors:
Guy Fischer, Bank Leumi
Zahi Elias, Bank Leumi
Aharon Navon, Deutsche Bank
Roee Mishal, Lehman Brothers
Shimon Vaknin, U-Bank
Danny Ben-Uri, Mizrahi Bank
Michal Rot-Levy, Bank Hapoalim
Rami Braverman, Union Bank
Nili Chen, Union Bank
Gila Segal, Bank Otzar Hahayal
Neil Corney, CITI
Simcha Hochman, Bank of Israel
Mickey Kahn, Bank of Israel

At the working meeting, various issues were presented on slides. The main issue was a change in the definition of the obligation to execute transactions when fixing the Telbor. In addition, various issues on the agenda were presented, such as aggregate computation of transaction data, changing the definition of days on which the Telbor interest will not be fixed, indices to measure meeting the times for quotes and handling outlier interest rates. Based on these issues, the following points were raised:

1. **Aggregate computation of data on Telbor contract transactions, based on reports from banks and brokers**
   a. The amount of transactions executed vis-à-vis domestic banks should be divided by 2 as it includes reports from both sides of the transaction
   b. The column of cross-currency transactions should be included as part of the IRS transactions
   c. There should be confirmation of the accuracy of the reported data that reflect the execution of IRS transactions, when the two legs are variable rate

2. **Technical problems in the Reuters system**
   There are technical problems related to communication and transfer of data between contributor banks and the Reuters system. The contributor members tried to deal with the

problem from their side but were not successful. Reuters should be contacted with a request to deal with these problems and to upgrade the communication system.

3. Obligating transactions—the new proposal raised by the Telbor Committee at its meeting on February 25, 2008

a. In general, the representatives think that there is room to change the obligation as it was defined a year ago and to establish a more effective obligation.

b. The proposal requires extending credit facilities and therefore its implementation depends on the size of the bank being discussed, that is, whether it is a large or small bank.

   Some of the small banks do not execute transactions at all, even vis-à-vis customers, and therefore it is not clear why they want to quote at all. The other small banks execute transactions but these banks are limited both in terms of the credit facilities they are capable of extending to other banks and in terms of credit facilities that other banks are willing to extend to them.

   The Union Bank representative noted that currently he is interested only in quoting ON transactions; this is already a new business setup for the bank.

c. One solution that was proposed was to establish two amounts for minimum transaction size: one for a bank defined as a small bank (for example, NIS 20 million) and the other for a bank defined as a large bank (for example, NIS 50 million).

d. It was decided to receive from each bank a report on credit facilities that it is capable of extending to other banks and in view of the responses, to re-examine the criteria by which the contributors will be examined, and even of the new proposal.