



October 12, 2021

Minutes of the Telbor Committee meeting held on October 5, 2021

Committee present:	members	Mimi Regev, Bank of Israel Markets Department (Committee Chairperson) Eyal Klein, Representative of ACI Israel (Forex) Ketty Cohen, Bank of Israel Markets Department
Observers:		Sharon Lavi, Tel Aviv Stock Exchange
Other participants:		Ran Abraham, Mizrahi-Tefahot Bank Michal Rot-Levy, Bank Hapoalim Yossi Cuomo, Bank Hapoalim Zach Sharon, Bank Leumi Ian Klotnick, Israel Discount Bank Shuki Hay, First International Bank of Israel Rami Ogdan, First International Bank of Israel Tal Biber, Head of Markets Division, BOI Markets Department Tsila Billet Blank, BOI Markets Department Mickey Blank, BOI Markets Department

The issues that were discussed:

1. The Bank of Israel presented the issues examined at the Bank since the previous meeting regarding the proposed alternative to the Telbor interest rate (the Bank of Israel's declared O/N interest rate). Conversations held with ESMA, LCH, and ISDA indicated that the proposed alternative to the Telbor rate can be applied, and no barriers to switching over to it are known.
2. To the extent that it will be decided to switch to the proposed interest rate, time will be needed for preparations by the domestic banks, the foreign banks, LCH, ISDA, and Bloomberg to implement the interest rate. In addition, a transition period will be required, in which the proposed interest rate will be published, even before executing the new transactions based on it. Furthermore, the Telbor interest rate will be published in parallel, until the date on which it will be decided to stop publishing it.
3. The Bank of Israel presented a proposed framework for going forward, according to which:
 - First, a final decision is required regarding switching the Telbor interest rate to the Bank of Israel's declared O/N interest rate.

- In the next stage, the new interest rate will be defined, including a precise formulation that will reflect both the proposed calculation for the relevant periods and the Fallback for open transactions.
- Implementation of the new interest rate in existing and new transactions—adjusting the automated, operational, legal infrastructures, etc.

The Bank of Israel is striving to establish the final switchover to the proposed interest rate at the end of 2022.

4. Continued obligation to provide a quotation of Telbor rates for periods of up to 1 year, without fixing, in order to value collaterals: The Bank of Israel examined the issue vis-à-vis the domestic banks, brokers, and the LCH clearing house, and it appears that continuing a quoting obligation is not necessary. Some bank representatives expressed the need to continue the quotation obligation for periods of up to 1 year. It was agreed that should the need for it arise in the future, the issue will be brought to another discussion in the Committee.
5. The banks were asked to check the applicability of the proposed alternative by the end of 2022 in the framework of the work plans, systems, legal agreements, and to send the Bank of Israel an estimate of the time within 2 weeks.
6. The Bank of Israel will send the banks a formulation for the proposed interest rate by the end of October.
7. The definition of the convention for the dollar floating interest rate in cross currency swaps: Beginning from 2022, it will not be possible to execute cross currency swap transactions indexed to the Libor interest rate. Therefore, Bloomberg representatives requested of the Bank of Israel to bring up with the banks the decision regarding the definition of the convention for the dollar floating interest rate in cross currency swaps. The reference to be replacing the Libor is either the regular SOFR interest rate for O/N or, alternatively, the CME term SOFR3M (an interest rate that reflects the expectations derived from contracts on the 3-month SOFR) Each bank is requested to examine the issue and propose the convention definition that it prefers. The Bank of Israel will send the banks details of contact persons at Bloomberg, and an Excel file that Bank Leumi defined as a proposal for this convention, after conversations it held with Bloomberg contacts. The Bank of Israel will concentrate the proposals of all the banks, and to the extent that there will be a difference, we will convene for a meeting dedicated to this issue.

Decisions reached at this meeting:

No decisions were reached at this meeting.