Bank of Israel
Monetary Committee Secretariat

October 9, 2012

Summary of Monetary Committee discussion on September 24, 2012 regarding increasing Israel's quota at the International Monetary Fund (IMF)

General Background

Each member country of the International Monetary Fund (IMF) has an assigned quota for its participation in the fund's capital. The quota is set in terms of SDR.[1] The quota is determined on the basis of that country's economic data (national product, exports, balance of payments and reserve levels), and determines that country's voting power. The quota also determines the amount of financial assistance that the country can receive from the IMF.

The quota for each country consists of two parts, the first of which is called the Reserve Tranche. This part is paid in foreign currency in cash, and is deposited in the IMF in an SDR account, and may be withdrawn by the country. The second part of the quota is the Bank of Israel's liability in deposits and SDR–indexed shekel notes.

In December 2010, the Board of Governors of the International Monetary Fund decided to double the total of all quotas in the IMF from SDR 238.4 billion to about SDR 476.8 billion. 60% of the total increase in quotas would be distributed among all member countries in accordance with each country's share in the Fund, and the remaining 40% would be distributed among member countries selectively according to criteria that were set, such that they would better reflect the relative portion of the member countries in the global economy.

The increase of quotas in the IMF will enter into force only after two conditions are fulfilled:

- Written consent is obtained from countries constituting at least 70% of the total quotas in the Fund. Without agreement from Israel, the country's relative portion in the IMF will shrink.
- The change in the IMF's Articles of Agreement is approved by countries constituting at least 85% of the total quotas in the Fund. Israel completed its approval of the amendment by government decision. The amendment relates to the rules for selecting Directors.

What it means for Israel:

1. The decision on increasing the quotas is expected to bring Israel's quota from the current SDR 1,061.1 million to SDR 1,920.9 million.

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[1] The SDR is made up of four currencies: the dollar, the euro, the pound sterling, and the Japanese yen. (In September 2012, one dollar was worth roughly SDR 0.65). The effective weight of the currencies that make up the SDR changes with variations in the market exchange rates. SDR interest is set on a weekly basis and is based on the weighted average of the short term interest rates in the money markets of the currencies that make up the SDR.

2. Each country will pay 25% of the increase in quotas in SDR or another recognized currency. The balance is a commitment to pay and is denoted in the currency of each country (indexed to the SDR).

The increase in Israel's quota in the International Monetary Fund does not affect the total amount of the country's foreign currency reserves.

Decision of the Monetary Committee:

The Monetary Committee decided unanimously to approve the increase in Israel's quota in the International Monetary Fund, from SDR 1,061.1 million to SDR 1,920.9 million.

The decision was reached unanimously by all members of the Monetary Committee, on September 24, 2012.

Participants in the discussion:

Members of the Monetary Committee
Prof. Stanley Fischer, Governor of the Bank of Israel, Chairperson
Prof. Alex Cukierman
Dr. Karnit Flug, Deputy Governor of the Bank of Israel
Prof. Reuben Gronau
Prof. Rafi Melnick
Mr. Barry Topf, Senior Advisor to the Governor on Monetary Policy Issues

Other participants
Dr. Ohad Bar-Efrat, Head of the Information and International Relations Division
Ms. Yehudit Golan, Information and International Relations Division
Ms. Esti Schwartz, Secretary of the Monetary Committee
Adv. Tida Shamir, General Counsel