

CHAPTER XX

ACTIVITIES OF THE BANK OF ISRAEL

1. SUMMARY OF BALANCE SHEET AT THE END OF 1976

The total assets and liabilities of the Bank of Israel amounted, at the end of 1976, to IL 36,558 million, as compared with IL 24,407 million at the end of 1975. This rapid growth, of 50 percent, as against 19 percent in 1975, derives partially from revaluation, totaling IL 4,840 million of the balance sheet assets in foreign currency, following the devaluations of the Israeli pound. The growth in balance sheet assets without revaluation increments amounted to IL 7,310 million, which is a 30 percent growth, considerably higher than the growth rate of the two previous years (only 8 percent in each of the years). This rapid growth in balance sheet assets in comparison to last year is explained mainly by the faster increase of the government debt to the Bank of Israel and the Bank's foreign currency assets.

A. FOREIGN CURRENCY ASSETS

The net foreign currency assets of the Bank of Israel grew considerably in 1976, by \$ 260 million, as against a decline of \$ 80 million last year. The assets defined as foreign exchange reserves of the Bank of Israel¹ amounted to \$ 1,156 million, as against \$ 1,039 million in 1975, an increase of \$ 117 million as against a decline of \$ 31 million last year. Other assets in foreign currency, not included in the reserves, also increased. The about-face in asset development, namely growth in 1976 after a two-year decline, mainly reflects the weakening of the rapid rate of foreign currency acquisitions by the public: these dropped to \$ 460 million in 1976, as compared with \$ 640 million in 1975. The drop in acquisitions derived mainly from an improvement in the current deficit of the private sector. It can be assumed that the speculative motivation to acquire foreign currency weakened, following the public's adaptation to the creeping devaluation and the increase of domestic interest rates. During the year as well, there was a downward trend in the rate of foreign currency acquisitions: from a monthly average rate of

¹ Foreign exchange reserves held by the Bank of Israel are defined as gold, special drawing rights, and foreign currency assets, less foreign residents and deposits, deposits in foreign currency of banks abroad (see Table XX-1).

TABLE XX-1

**CLAIMS ON AND LIABILITIES TO FOREIGNERS IN GOLD AND
FOREIGN EXCHANGE, 1975-1976.**

End of year	1975	1976	Annual change
ASSETS			
Gold	46.3	44.8	-1.5
Special Drawing Rights	2.5	10.0	7.5
Foreign currency assets	1,134.8	1,318.3	183.5
Gold quota in IMF	39.2	37.7	-1.5
Loans to foreign governments and banks	17.7	-	-17.7
Participation in international financial institutions	10.8	10.9	0.1
Other foreign currency assets	54.3	223.1	168.8
Total claims on the rest of the world	1,305.6	1,644.8	339.2
LIABILITIES			
Allocation of Special Drawing Rights	51.6	49.7	-1.0
Deposits of IMF in connection with drawings	117.6	127.1	9.5
Other liabilities	3.0	3.5	0.5
Nonresidents' deposits (Patach)	142.1	206.8	64.7
Foreign currency deposits of foreign banks	2.0	10.1	8.1
Total liabilities to the rest of the world	316.3	397.2	80.9
Net claims on the rest of the world (foreign currency assets)	989.3	1,247.6	285.3
Net foreign currency reserves held with the Bank of Israel ^a	1,039.5	1,156.3	116.8

^a Defined as gold, Special Drawing Rights, and foreign currency assets, less foreign residents' deposits (Patach), and foreign currency deposits of banks abroad.

\$ 100 million in the second half of 1975, the monthly average dropped by half in the first eight months of 1976, to about \$ 50 million per month, and in the last four months of the year to only \$ 15 million. In addition, the banking institutions transmitted to the Bank of Israel about \$ 145 million in May-June as a result of changes in the financing arrangements of the Export Shipments Fund in foreign currency (see paragraph on rediscount below).² The private and public sectors had contradictory effects on the balance of foreign exchange reserves. Foreign currency acquisitions by the private sector, though reduced to \$ 460 million this year, caused the reserves to fall, whereas the public sector caused the reserves to grow as a result of foreign exchange transfers. These transfers amounted to \$ 432 million this year after \$ 552 million last year. This amount includes \$ 152 million income on Bank of Israel investments in foreign currency assets (\$ 95 million interest, and \$ 57 million revaluation differentials, as a result of the increase in value of the European currencies in relation to the dollar). The increase in foreign exchange reserves, without revaluation differentials, amounted to \$ 60 million. \$ 60 million.

The total amount of the Bank of Israel's gross foreign currency assets amounted to \$ 1,645 million at the end of 1976, as against \$ 1,307 million at the end of 1975 — an increase of \$ 338 million. This increase also includes a growth in other foreign currency assets, which are not considered reserves.

B. GOVERNMENT LIABILITIES³

Net government liabilities to the Bank of Israel increased in 1976 by IL 3,340 million, and totaled IL 10,588 million, compared with an increase of IL 1,102 million last year. This increase derives mainly from the long-term advance of IL 5,650 million granted in March 1976, which was intended for covering the budgetary deficit at the end of the preceding financial year (including the additional budget of that year). This increase was partly offset by a drop of IL 2,077 million in temporary government advances, to which IL 143 million was added in the credit account of the government. This rise stems from a growth of IL 421 million in government and national institution foreign

² With the addition of this transfer, net private sector foreign currency acquisitions amounted to \$ 315 million only in 1976.

³ In August 1976 the Bank of Israel entered an agreement with the Ministry of Finance whereby the terms of long-term advances granted to the government in previous years were combined. According to the new agreement, the government will pay the Bank linkage differentials every year at the rate of 50 percent of the increase in the dollar exchange rate in relation to the Israeli pound. At the same time, the government debt was revalued by IL 1,312 million, and it was determined that the Bank of Israel, income, transferred at the end of the fiscal year to the government as profits deriving from revaluation, will serve to reduce the government long-term liabilities, and not for financing the current budget.

exchange deposits, against a drop of IL 278 million in importers' deposits. (This item was in fact canceled at the end of the year, following the lifting of the obligatory deposit on imports.

The growth rate of government liabilities was not homogenous over the year and was affected by ordinary seasonal developments and different rates of issue and redemption of bonds. Besides this, there were changes due to the implementation of the Value Added Tax in July. The extensive growth in net government liabilities to the Bank of Israel partly reflects the deficit financing of the government budget, but does not express the full effect of government injections to the economy in 1976 since it does not include transfers of foreign exchange mobilized by the government abroad to finance its expenditures in local currency. The amount of credit to the government also reflects other activities that have no effect on injection to the economy, such as interest payments of the government on its debt to the Bank of Israel. (A survey of the effect of the public sector injection on monetary developments is found in Chapter XVII).

C. REDISCOUNTS AND LOANS

Rediscounts and loans from the Bank of Israel to the public and banks increased by 27 percent, or IL 1,670 million, in 1976, of which IL 840 million derives from revaluation of foreign currency credit following the devaluations of the Israeli pound⁴.

The increase of rediscounts to the public and banks, without revaluation differentials, amounted to IL 829 million⁵. This increase is due to the rapid growth of IL 1,203 million, or 50 percent, in the rediscount in Israeli currency, whereas the rediscount in foreign currency (without devaluation differentials) dropped by IL 375 million. This decline does not reflect the decrease in volume of directed credit in foreign currency, but derives from changes in the financing arrangements in the Export Shipments Fund and their transfer to other frameworks.⁶

⁴ These amounts do not include the IL 160 million drop in foreign currency credits granted previously to the national institutions for advanced repayment of their debts abroad.

⁵ This amount reflects the injection by the Bank of Israel through rediscounts and loans to the public. One can deduct from this amount the interest (without linkage differentials) collected from the public on the credit balance, amounting to IL 500 million; and the result will be the total net injection of the Bank of Israel in this framework. The amount received is relatively low this year. (See the profit and loss account of the Bank of Israel below).

⁶ Since May 1976, the banks have been entitled to convert credit financing from the Shipments Fund through the Bank of Israel, into self-financing from approved credit in foreign currency from resources abroad. The banks preferred to transfer most of the credit for shipments to the new framework, and this amounted to IL 1,573 million at the end of 1976. (Regarding the effect of this arrangement, which was intended to free liquidity means to the banks, see Chapter XVII).

The growth of rediscount in Israeli currency was mainly the result of increased participation of the Bank of Israel in the financing of the Export Production Fund, which is the main and largest export fund in Israeli currency, and the Citrus Export Fund. The Bank of Israel also increased its participation in the Working Capital for Industry and Agriculture Funds and the Employers Loan Fund. The Israeli currency loan component intended after the granting of a special IL 400 million loan to the banks, which was intended to reduce their liquidity deficits, and was conditioned upon their restraining free credit growth (see Chapter XVII). Bank deposits in Israeli currency for financing their participation in the export fund decreased by IL 178 million, following the changes in financing arrangements of the foreign currency Shipments Fund (see rediscount in foreign currency, below). Accordingly, the increase in net credit in Israeli currency was higher (rediscount less bank deposits), amounting to IL 1,382 million.

The decline in rediscounts in foreign currency reflects the change in financing arrangements of the Export Shipments Fund. Without this change, the increase in rediscount in foreign currency amounts to \$ 105 million. The Diamond Export Fund, which is the largest fund in foreign currency, also increased rapidly (\$ 65 million) as did the Import for Export Production Fund (\$ 37 million). Bank foreign currency deposits for financing

TABLE XX-2
REDISCOUNT AND LOANS FROM THE BANK OF ISRAEL, 1975-1976
(IL million)

End of year	1975	1976	Annual change	
			Including devaluation differentials	Excluding devaluation differentials
Credit in IL and foreign currency ^a	6,389.6	7,953.6	1,564.0	669.6
Less : credit to National Institutions	301.4	196.4	-105.0	-159.1
Credit in IL and foreign currency to the public ^a	6,088.2	7,757.2	1,669.0	828.7
Thereof : IL credit	(2,393.5)	(3,596.7)	(1,203.2)	(1,203.2)
Credit in foreign currency ^a	(3,694.7)	(4,160.5)	(465.8)	(4,160.5)
Less : bank deposits for export financing	966.7	754.0	-212.7	-312.0
Thereof : IL deposits	(562.4)	(384.0)	(-178.4)	(-178.4)
Foreign currency deposits ^a	(404.3)	(370.0)	(- 34.3)	(-133.7)
Net credit to public in IL and foreign currency	5,121.5	7,003.2	1,881.8	1,140.7
Thereof : In IL, net	(1,831.1)	(3,212.7)	(1,381.6)	(1,381.5)
In foreign currency, net ^a	(3,290.4)	(3,790.5)	(500.1)	(-240.8)

^a The foreign currency component in credit dropped by IL 1,540 million beginning in May 1976 (from which IL 175 million is devaluation differentials). This was caused by the possibility permitted to the banks to transfer financing of credit from the shipments Fund to approved foreign currency credit from sources abroad.

their participation in the export funds in foreign currency dropped by \$ 10 million in 1976, due to the reduction of the banks' obligatory deposits in June and their complete cancellation in December 1976. Following this, the drop in net credit in foreign currency (rediscount less bank deposits) was lower, amounting to IL 240 million (\$ 30 million).

It should be noted that the changes in net credit in the Balance Sheet of the Bank of Israel reflect only part of the directed credit in funds in which the Bank of Israel participates, as rediscount, and do not represent the total developments in indirect credit to the public nor its structures (see below, Section 4).

D. SECURITIES

The Bank of Israel as the government agent for the issue of government bonds regulates their prices and encourages their trade in the secondary market in order to promote their sale at source, taking into account the liquidity situation of the economy. In the first half of 1976, the linked bond market was affected by a heavy slump which mainly reflected public reaction to the policy measures taken in December 1975 in the capital market. These steps were accompanied by fear of further measures affecting the bond market and created considerable supply surpluses in the secondary market. During this period, the Bank of Israel purchased bonds from the public on the secondary market totaling more than IL 300 million net; during the rest of the year, acquisitions reached only IL 120 million.

In addition, the Bank of Israel purchased from the banks linked bonds not registered for trade on the Stock Exchange, amounting to IL 300 million. Most of these purchases were conducted in the first quarter of the year, as part of the measures taken by the Banks of Israel under the monetary policy to decrease the liquidity deficits of the banks (see Chapter XVII). The total security portfolio held by the Bank of Israel, according to its value registered on the Bank's books, increased in 1976 by IL 712 million, and reached IL 1,191 million at the end of the year. It should be noted that this balance does not include total linkage differentials accumulated during the year (see footnote 8).

E. BANKNOTES AND COIN IN CIRCULATION

The balance of banknotes and coin in circulation increased by IL 900 million in 1976 and totaled IL 5,073 million⁷, an increase of 22 percent, as compared with 25 percent

⁷ This amount includes IL 75 million face value of commemorative coins which are legal tender, and whose numismatic value is higher, of course, than their nominal value.

in 1975. The slowdown in the growth rate of cash is outstanding in view of the faster growth (75 percent) in the banks' Israeli currency deposits with the Bank of Israel. The share of cash in the total money supply declined slightly at the end of the year to 36.7 percent at the end of 1975, after reaching a peak of 39.2 percent at the end of July.

F. FOREIGN CURRENCY LIABILITIES

The Bank's foreign currency liabilities to the rest of the world rose by \$ 80 million during the year, amounting to \$ 397 million at the end of 1976, as against \$ 315 million at the end of 1975. The major growth in these liabilities derives from increases in bank deposits, within the framework of obligatory liquidity on foreign residents' deposits held by the banks (see Table XX-4).

G. BANKING AND FINANCIAL INSTITUTION IL DEPOSITS

Banking and financial institution deposits in Israeli currency with the Bank of Israel increased considerably in 1976, and amounted to IL 5,405 million, an increase of IL 2,310 million, constituting a growth of 75 percent. This increase is outstanding in view of the IL 456 million drop in these deposits in 1975. The steep increase this year in these deposits, which are mainly banks' required liquidity, is an expression of liquidity injection by the government and the extension of credit by the Bank of Israel, which were only partially offset by foreign currency acquisitions of the private sector. However, only half the growth of these deposits was actual monetary expansion, whereas the other half was used for reducing the liquidity deficits of the banks, according to the monetary policy applied by the Bank of Israel.

The Bank of Israel pays different interest rates on deposits of banking and financial institutions required to have them, according to the account balance and the liquidity situation of the institution. The account balance is divided into four grades determined by the types of deposits of the public in the banking institution, and every grade bears interest at a different rate.

H. FOREIGN CURRENCY DEPOSITS AND THOSE DENOMINATED IN FOREIGN CURRENCY

The banks' foreign currency deposits and those denominated in foreign currency increased in 1976 by IL 7,652 million, and amounted to IL 21,746 million (or \$ 2,282 million). The increase in terms of Israeli currency derives mainly from revaluation of deposits (IL 4,000 million) following the devaluations of the Israeli pound. The increase in these deposits in dollar terms amounted to \$ 497 million, which constitutes 25 percent, as against only 8 percent in 1975. Part of the increase in dollar terms derived from

TABLE XX-3

**INTEREST RATE PAID BY THE BANK OF ISRAEL ON IL DEPOSITS
OF BANKING AND FINANCIAL INSTITUTIONS, 1976**

The public's in banking institutions	Total liquidity requirement	Share of the public's deposits and interest paid thereon			
		0%	8%	13%	16%
(percent of total deposits in banking institutions)					
Ordinary demand deposits	70	17	47.5	5.5	Balance
Time deposits :					
3-4 months	23	8	10	5	Balance
4-5 months	21	7	9	5	Balance
5-6 months	19	6	8	5	Balance
6+ months	17	5	8.5	3.5	Balance

TABLE XX-4

**DEPOSITS OF THE BANKING INSTITUTIONS IN AND DENOMINATED
IN FOREIGN CURRENCY**

End of period	1975	1976	Annual change
	(\$ million)		(percent)
Foreign currency deposits			
Pamaz	19.7	15.0	-4.7
Tamam	550.0	665.8	115.8
Patach	142.1	206.8	64.7
Hai	12.8	10.8	-2.0
Natad	55.6	126.0	70.4
Total	780.1	1,024.4	244.3
Deposits denominated in foreign currency			
Pazak	1,203.7	1,454.5	250.8
Hani	1.4	3.0	1.6
Total	1,205.1	1,457.5	252.4
Total of all foreign currency	1,985.2	2,481.9	496.7

revaluation of deposits after the rise in value of the German mark. Without the revaluation, the increase amounted to only 15 percent, half of it (\$ 250 million) in the Pazak account, which is the largest of these deposits denominated in foreign currency (mainly in German marks). The balance of the Tamam, the second in size, increased greatly, by \$ 116 million. This account mainly includes foreign currency deposits administered in German marks. Natad deposits, denominated in foreign currency, also showed a steep rise this year, about 125 percent, or \$ 70 million. Most of the Natad deposits stem from Tamam accounts converted into Israeli currency at a rate fixed according to the supply and demand forces on the market of securities traded in foreign currency. The intensifying demand for these deposits derived from the high price of the Natad dollar in relation to the official exchange rate, which encouraged the conversion of Tamam accounts. (For a description of the various deposits, their source and nature, see Bank of Israel Annual Report 1973, pp.455–459).

2. PROFIT AND LOSS ACCOUNT⁸

A. THE BANK'S PROFIT AND ITS DISTRIBUTION

The Bank of Israel's profit for the year was IL 1,329 million, compared with IL 959 million in 1975. Operating profits came to IL 1,714 million, as against IL 762 million in 1975. A loss of IL 385 million in the linkage balance was deducted from the profit. This amount derives from a loss (of IL 745 million) due to increases in the exchange rates of all European currencies in the world, which were partly offset by the profit from the devaluation of Israeli currency (IL 360 million). The Bank's liabilities to local residents denominated in German mark (mainly in Pazak and Tamam) exceed the Bank's assets in this currency, and therefore the increase in the value of the mark revalues the liabilities of the Bank of Israel more the amount of revaluation of assets, so that in the Bank's books a net loss is entered in terms of Israeli currency. In 1976 the rate of the work increased in relation to the Israeli pound by 10 percent more than the rate of the pound's devaluations). However, part of the foreign currency assets of the Bank of Israel are invested in German marks, and an increase in the rate of the mark creates currency income in dollar terms for the Bank.

The total profit of the Bank of Israel for 1976 was transferred, as in each year, to the

⁸ The Public Committee for Examining the Bank of Israel's Balance Sheet, headed by Dr. A. Ne'eman, presented a final report in October 1976, in which it recommends that the Bank introduce a method of bookkeeping based on accumulations, changing the previous method, according to which the recording was based mainly on cash and only partially on accumulations. The management of the Bank decided to adopt this recording principle beginning with the December 1976 Balance Sheet. As a result an additional profit of IL 276 million was created, which is included in these sums.

Treasury. According to an agreement between the Bank of Israel and the Ministry of Finance, approved by the Financial Committee of the Knesset, it was determined that part of the Bank's profit in 1976, amounting to IL 1,312 million, deriving from devaluation of dollar-linked government liabilities, will serve to reduce the governments's long-term debt. The balance of the profit, amounting to IL 17 million, was transferred for current financing of the State budget (see footnote 3).

B. INCOME

The Bank of Israel's income from regular operations amounted to IL 2,539 million in 1976, as against IL 1,684 million in 1975. Income from foreign currency assets, which in previous years constituted the largest item in the income statement, increased only slightly in terms of Israeli currency (and decreased in dollar terms), mainly because of the decline in interest rates in the world money markets : from IL 752 million (\$ 117 million) in 1975 to IL 776 million (\$ 95 million) in 1976.

The Bank of Israel's income from net rediscount continued to grow this year, and became the largest item in the income statement; it amounted to IL 803 million⁹, as against IL 247 million last year. The growth (without linkage differentials) derived from both the increase in the net annual average balance of this credit and the increase in net average interest collected by the Bank for its share in credit financing in the funds. The annual average balance of net credit in the funds, which is directed mainly to the export branches, increased from IL 4,120 million in 1975 to IL 6,120 million in 1976. The net average interest collected by the Bank on this credit also increased in 1976, to 8.3 percent as against 6 percent in 1975.

Income from interest on government liabilities amounted to IL 640 million, as against IL 471 million in 1975. This increase derives entirely from the growth in the balance of long-term advances to the government, following the granting of the additional advance in March 1976. On the other hand, the average balance of temporary advances to the government decreased, as did the income from interest on them. Income from interest on deficits in the bank's obligatory liquidity deposits with the Bank of the Israel increased by IL 56 million, and reached IL 143 million in 1976. The increase in income of the Bank of Israel from open market transactions was outstanding this year, reaching IL 114 million; but this reflects only that share of profit realized from securities redeemed or sold to the public, as well as the receipt of current interest¹⁰

⁹ This income includes the sum of IL 286 million accumulated as linkage differentials in the Employers' Loan Fund, which is index-linked, following the transition to book-keeping based on accumulations.

¹⁰ The Public Committee for Examining the Bank of Israel's Balance Sheet recommended that income from the government not actually paid and budgeted that year was not to be included in the net profit of the Bank which in effect transferred to the government. Accordingly, the government bonds were not revaluated in the Bank's balance sheet. The evaluation differentials amount to IL 360 million.

C. EXPENDITURES

The Bank of Israel's expenditures in its regular operations dropped in 1976 to IL 825 million, as against IL 921 million in 1975. This was mainly due to its narrower participation in the payment of interest on the banks' foreign currency deposits with the Bank of Israel, due to the Bank's extensive expenditures following the revaluation of deposits after the increase in the exchange rates of the mark in the world. Interest payments on

TABLE XX-5

BANKNOTES AND COIN IN CIRCULATION, BY DENOMINATION, 1975-1976

End of period	1975		1976	
	(IL thousand)	(percent)	(IL thousand)	(percent)
Banknotes				
IL 5	41,793	1.0	51,239	1.1
IL 10	193,856	4.8	205,901	4.2
IL 50	486,008	12.2	508,409	10.4
IL 100	3,276,168	82.0	4,109,710	84.3
Total	3,997,555	100.0	4,875,259	100.0
Coins				
1-500 prutot ^a	1,953	0.9	1,953	1.6
1 agorot ^b	2,754	2.7	2,905	2.3
5 agorot ^b	5,670	5.5	6,675	5.3
10 agorot ^b	16,378	15.9	20,066	16.2
25 agorot ^b	5,741	5.6	6,395	5.2
IL 1/2 ^c	15,152	14.7	19,479	15.7
IL 1 ^c	55,135	53.7	66,704	53.7
Total	102,783	100.0	124,177	100.0
Total banknotes and coins	4,100,338		4,999,436	
Commemorative coins	85,501		87,443	
Total coins	4,185,839		5,086,879	
Less: Gold commemorative coins with gold content equal to or exceeding their nominal value	(-) 13,662		(-) 13,662	
Total currency in circulation	4,172,177		5,073,217	

^a Including paper tokens worth 250 prutot

^b The agorot series includes mintmarked coins.

^c The series of IL 1/2 and IL 1 also include silver coins and mintmarked coins.

foreign currency deposits dropped from IL 534 million last year to IL 298 million in 1976; in contrast, there was a slight increase in interest payments on Israeli currency deposits of the banking institutions with the Bank of Israel, from IL 217 million in 1975 to IL 247 million in 1976.

3. CURRENCY ISSUE

A. CURRENCY IN CIRCULATION BY DENOMINATION AND SERIES

The growth in weight of the IL 100 banknotes continued to increase in 1976, and their share in the circulation increased from 78.5 percent last year to 81.1 percent this year. The total number of banknotes in circulation increased from 74.5 million to 86.4 million, an increase of 11.9 million notes, most of which was in IL 100 banknotes. The growth in the weight of IL 100 banknotes, which has continued since their first issue in February 1969, expresses the decline in the value of money as a result of the accelerated rate of price increases in recent years.

In 1976, coins worth IL 23.3 million (including commemorative coins) were put into circulation, as against IL 37.5 million in 1975. This decline was affected by the decline in the issue of commemorative coins: no gold coins were issued, and the commemorative coin item amounted to only IL 1.9 million compared to 1975.

B. ISSUE OF BANKNOTES AND COINS IN CIRCULATION

On March 3, 1976 the third banknote from series D, at a demonimated value of IL 5, was put into circulation. Its color is brown-orange, and it features the portrait of Henrietta Szold. Two more banknotes of this series are expected to be issued: a IL 50 note featuring the portrait of Chaim Weizmann, and a new note at the denominated value of IL 500 featuring the portrait of David Ben-Gurion. From the first issue of the IL 100 banknote in February 1969 until the end of 1976, the Cost-of-Living Index increased by about 500 percent. This increase created the need to issue a new banknote of IL 500. During 1976, the Israel Mint in Jerusalem minted about 62.5 million coins for the Bank of Israel, most of them bearing the Hebrew date 5736, and some the date 5737. With the addition of the 5736 coins issued in 1975, the total number of coins bearing this date is 65.6 million. In addition to the minting in Israel, the Royal Canadian Mint produced 20 million 10 agorot coins, bearing the Hebrew date 5737.

C. ISSUE OF COMMEMORATIVE COINS AND SPECIAL COINS

In 1976, the Bank of Israel issued a commemorative coin in honor of Independence Day, "Power to Israel" indicating 28 years of the State (in Hebrew numbering system כח)

TABLE XX-6
COMMEMORATIVE COINS ISSUED BY THE BANK OF ISRAEL^a,
1975/76 TO 1976/77

Coin	Place minted	Brilliant uncirculated	Proof	Total
Independence Day coins —IL 25				
1975/76 (Power to Israel)	Jerusalem	40,000	35,000	75,000
Pidyon Haben (Redemption of the First-born)				
1975/76	Jerusalem	50,000	29,600	79,600
Hanukkah coins				
1975/76 (Hanukkah lamp from Holland ^b)	Jerusalem	44,400	33,650	78,050
1976/77 (Hanukkah lamp from the U.S.)	Jerusalem	25,000	20,000	45,000

^a For details of coins issued by the Bank of Israel between 1957/58 and 1974/75, see Table XX-7 in Bank of Israel Annual Report 1975.

^b The number minted from the 1975/76 Hanukkah coin (Hanukkah lamp from Holland) was reduced from the figure published in the 1975 report. Some of the coins were melted down at the end of the issue period.

in two editions, ordinary silver and proof. Its face is IL 25, its composition silver and bronze (900/100), weight 26 grams, and diameter 37 mm.

This year the Bank issued another coin as well, "Redemption of the First-born", with a face value of IL 25. Its composition is silver and bronze (900/100), its weight 26 grams, and diameter 37 mm. The ordinary coin has a smooth edge, and the proof, a milled edge.

A Hanukkah coin has issued before Hanukkah this Year; its face value is IL 10, its composition silver and bronze (500/500), weight 20 grams, and diameter 34 mm. It features an American Hanukkah lamp and was issued as an ordinary coin and a proof.

As in the past, a special series of coins was issued this year as well, identical to the regular coin series already in circulation. All six existing denominations (1, 5, 10 and 25 agorot, IL 1/2 and IL 1) were issued in this series of 65,000 units per denomination.

D. THE COMMITTEE FOR THE PLANNING OF BANKNOTES AND COINS

This committee, headed by Supreme Court Justice Dr. Alfred Witkon, assists the Bank in planning the banknotes and coins to be issued and recommends to the Governor the designs which it has selected from among those submitted by artists participating in closed competitions. The committee's activities found expression in the issue programs of 1976, in both banknotes and coins.

TABLE XX-7

STRUCTURE AND TERMS OF DIRECTED CREDIT FUNDS, 1975-1976
(percent)

Fund	Sources of funds at end of 1975				Sources of funds at end of 1976			
	Bank of Israel				Bank of Israel			
	Commercial banks	Liquidity exemptions	Rediscount	Interest rate in 1975	Commercial banks	Liquidity exemptions	Rediscount	Interest rate in 1976
Export funds in foreign currency								
Imports for export production	15	20	65	6	12.5	22.5	65	6
Regular export shipments	15	20	65	6	12.5	22.5	65	9
Special export shipment	15	20	65	13	12.5	22.5	65	9
Diamonds	—	—	100	6	—	—	100	6
Export funds in IL								
Export production	15	20	65	6	12.5	22.5	65	10
Citrus and cotton	15	20	65	6	12.5	22.5	65	10
Indirect exports	15	20	65	13	12.5	22.5	65	17
Working capital fund in IL								
Industrial credit ^a	50	20	30	15	40	—	40	20
General fund	50	20	30	15	40	20	40	20
Agricultural credit	50	20	30	15	40	20	40	17
Supervised farm credit	50	50	—	15	40	60	—	17
Employers' Loan Fund	—	10	90	^b 5-3	—	10	90	^b 5
Crafts fund	50	20	30	15	40	20	40	20

^aAs of December 31, 1976, government redemption was 20 percent.

^bThe same terms as those of the loan offered as guarantee (linked principal and interest). The interest on bonds issued in 1970-74 is 5 percent linked, and on those issued in 1970-74 is 5 percent linked, and on those issued in 1974-75 it is 3 percent linked.

4. DIRECTED BANK OF ISRAEL CREDIT¹¹

The system of directed credit is administered by the Credit Department of the Bank of Israel with the assistance of several committees composed of representatives of various government ministries. The credit granted is short-term, mainly through funds set up jointly by the Bank of Israel and the commercial banks. The types of funds through which credit is granted were established according to the goals and various needs of financing.¹² Most of the directed credit is intended for the export branches and was granted partly in Israeli currency, at a lower interest rate than the interest on the free market, and partly in foreign currency. The balance of credit in the working capital funds is granted in Israeli currency at a low interest and is intended mainly for the industrial and agricultural sectors (except the Employers' Loan Fund, where credit is index-linked).

The low interest on credit in most in the funds is made possible thanks to the low interest collected by the Bank of Israel on its share in the directed credit. (Details of the composition of the funds' financing resources and their interest rates are found in Table XX-7.)

The growth rate of directed credit was slowed in 1976, as against the rapid growth rates in 1975 and 1974. Total directed credit in Israeli currency, foreign currency, and credit linked to foreign currency in the export funds, working capital, and other purposes amounted to IL 9,482 million at the end of 1976, as against IL 8,023 million at the end of 1975. This means a growth of only 18 percent, as compared with 42 percent in 1975. Directed credit in Israeli currency amounted to IL 5,354 million, a 24 percent rise, as against 36 percent in 1975. Directed credit in foreign currency reached IL 4,128 million, an increase of 12 percent in terms of Israeli currency, as against 49 percent in 1975. The low growth rate this year does not reflect a slowdown in the credit volume growth, but derives from changes in the financing arrangements in the Export Shipments Fund in foreign currency and its transfer to another framework (see footnote 6 above). Without this change, the credit in foreign currency increased by 57 percent, which is a higher rise than last year.

Below, we shall discuss the main developments in the funds towards the end of 1976. (For a detailed description of all types of funds, their mode of operation, and goals see the parallel paragraph in the Bank of Israel Annual Report 1975).

¹¹ The data for directed credit in this section are slightly different from those appearing in Chapter XVII. The data in this chapter are based on the weekly liquidity reports from the last Wednesday of each month as received by the Credit Department. Those in Chapter XVII are based on monthly reports, which are correct to the last day of the month.

¹² A wider and more detailed examination of the subject of directed credit in 1976 can be found in the Annual Report of the Comptroller of the Banks for 1976.

A. EXPORT FUNDS

The export funds finance the export process at all stages: financing of the production stage — through the Export Production Fund in Israeli currency; financing the import components — through the Import for Export Production Fund in foreign currency; and financing the shipment stage — through the Export Shipment Fund linked to foreign currency. In addition to those, two sectorial funds are in operation; the Diamond Fund in foreign currency and the Citrus Fund in Israeli currency. Also, there is an indirect export fund which assists enterprises supplying items to direct exporters. Besides the framework of the funds, there is a special arrangement for granting credit to exporters, such as long-term export transactions, and assistance to exporters whose goods were delayed in the country for various reasons.

The balance of directed credit in the export funds rose by 19 percent in 1976, as against 58 percent in 1975, and amounted to IL 6,908 million at the end of the year. The credit component in Israeli currency increased by 27 percent and amounted to IL 3,059 million, more than two-thirds of which is in the Export Production Fund.

The credit component in foreign currency increased by 13 percent (including devaluation differentials), and amounted to IL 3,848 million (\$ 440 million), out of which three-quarters was in the Diamond Fund. The relatively moderate increase in the volume of credit in Israeli currency derives from the amendment of production turnover estimates in the various branches, from the cancellation of credit advances granted towards the end of the previous financing year, and from transfer of part of the credit in Israeli currency to credit funds in foreign currency. The slow increase in the volume of credit in foreign currency (a drop in dollar terms), derives from the changes in the financing arrangements of the Export Shipments Fund. After deducting this element, the credit in foreign currency export funds rose by 60 percent. The main growth in dollar terms was in the Diamond Fund towards the end of the year, due to accumulation of raw materials caused by expectations for price rises in this branch (which in fact materialized at the beginning of 1977). The largest growth rate was in the Import for Export Production Fund, the balance of which doubled during the year, reflecting the transfer of part of the credit in Israeli currency to this fund in foreign currency. (See Table XX-8).

Exporters' interest rates in the unlinked Israeli currency funds increased from 6 to 10 percent in March 1976 (and at the beginning of 1977 to 12 percent). The interest in the Indirect Export Fund also increased from 13 to 15 percent in March (and at the beginning of 1977 to 20 percent). As from 1976, part of the financing in the Indirect Export

TABLE XX-8

DIRECTED EXPORT CREDIT^a, 1975-1976

	1975		1976		Change	
	End-year balance	Average balance	End-year balance	Average balance	End-year balance	Average balance
	(IL million)				(percent)	
1. Credit from export funds						
In Israeli currency						
Export production	1,623.1	1,353.7	2,150.9	1,788.0	32.5	32.1
Citrus and cotton	577.8	353.6	615.1	429.6	6.5	21.5
Indirect exports	211.8	145.9	293.2	235.3	38.4	61.3
Total	2,412.7	1,853.2	3,059.2	2,452.9	26.8	32.4
In foreign currency						
Import for export product.	319.5	265.8	644.8	449.0	101.8	67.0
Export shipments	1,288.9	984.6	332.2	718.9	-74.2	-27.0
Diamonds	1,801.8	1,487.3	2,871.4	2,215.3	59.4	48.9
Total	3,410.2	2,737.7	3,848.4	3,378.2	12.8	23.4
Thereof : in dollars	(480.3)	(433.2)	(439.7)	(425.5)	(-8.5)	(-1.8)
Total credit from export funds	5,822.9	4,590.9	6,907.6	5,831.1	18.6	27.0
2. Credit from export funds						
a. In Israeli currency	50.0	50.0	33.4	40.3	-33.2	-19.4
b. In foreign currency	24.6	29.1	40.8	28.4	65.8	-2.4
Total credit from outside the funds	74.6	79.1	74.2	68.7	-0.5	-13.5
3. Total directed export credit (1+2)	5,897.5	4,670.0	6,981.8	5,899.8	18.4	26.3

^a After this chapter went to press, updated information showed slight changes in some of the balances, but the revisions were not inserted in this chapter. Hence the discrepancies between the figures here and those appearing in Chapter XVII, where the revisions were made.

Fund was granted in dollars as well, similar to the Direct Export Fund. The interest rate on the part of credit in foreign currency is 6 percent, which is identical to the interest rate in the foreign currency funds. (The new interest rates in the various funds at the end of 1976 are presented in Table XX-7.)

The banks' participation in the export funds was reduced in April 1976 from 15 to 12.5 percent, as part of the monetary policy measures to reduce the liquidity deficits of the banks (see Chapter XVII).

In accordance with the rate of the creeping devaluation and the price increases, the financing rates of the export funds were increased. The financing rate in the Export Production Fund was increased from IL 5.90 to IL 6.85 per export dollar in July 1976, and from November to IL 7.65. (In April 1977 the rate of financing was again raised to IL 8.25 per export dollar). The financing rates in the Indirect Export Fund were increased from IL 5.30 to IL 6.12 per export dollar. Financing in the Export Shipment Fund is granted as full financing according to the official rate of exchange, and therefore it rose parallel to this rate with each devaluation. The financing rate in the Import for Export Production Fund will also turn into a full financing rate, similar to the Shipments Fund, from April 1977.

B. WORKING CAPITAL FOR DOMESTIC PRODUCTION

The balance of credit in the working capital funds, excluding the export funds, increased by 21 percent in 1976, and amounted to IL 2,155 million at the end of the year. There was exceptionally rapid growth in working capital for industry, agriculture, and supervised farms. There was also an increase in the Employers' Loan Fund, following the expansion of its financing to other branches in addition to industrial enterprises. On the other hand, the balance dropped in both the Trucking Fund and the Vehicle and Equipment Fund established after Yom Kippur War; in 1976 there was only repayment of credit to these funds.

Two new funds were established this year: a Transportation Fund intended to assist these enterprises to repay the debts which accumulated after the war, and an Industrial Enterprise Assistance Fund for industries affected by the reduction in domestic demand, and those wishing to diversify their production to export. (For the changes in these funds, see Table XX-9).

Interest rates in the domestic production funds were increased by 2 to 5 percent in 1976. (At the beginning of 1977 they were increased again to 22 percent). In June and September, the rates of bank participation in the domestic production funds dropped from 50 to 40 percent (see Table XX-7).

TABLE XX-9

DIRECTED CREDIT FOR DOMESTIC PRODUCTION, 1975-1976

	1975		1976		Change	
	End-year balance	Average balance	End-year balance	Average balance	End-year balance	Average balance
	(IL million)				(percent)	
Credit from working capital funds						
Industry and crafts	358.8	288.1	510.2	435.7	42.2	51.2
Agriculture	329.6	330.6	499.0	413.3	51.4	25.0
Supervised farms	152.3	118.8	177.7	176.7	16.7	48.7
General Fund	75.7	76.7	57.1	67.5	-24.6	-12.0
Employers' Loan Fund ^a	406.0	380.9	536.8	503.2	32.2	32.1
Trucks	303.2	335.2	227.0	262.4	-25.1	-25.2
Vehicle and equipment imports	150.8	134.2	121.8	137.8	-19.3	-2.7
Transports companies	25.0	13.6
Total	1,776.4	1,664.5	2,145.6	2,010.2	21.3	20.7
Credit from outside the funds						
Liquidity exemptions	17.7	...	4.3	...	-75.7	...
Rediscounts in IL	67.1	...	102.2	...	52.3	...
Rediscounts in foreign currency	264.0	...	239.6	...	-9.3	...
Total	348.8	...	346.1	...	-0.8	...
Total directed credit for domestic production	2,125.2	...	2,500.7	...	17.6	...

a The data do not include linkage differentials.

5. ADMINISTRATION OF STATE LOANS¹³

A. MEDIUM- AND LONG-TERM NONCOMPULSORY LOANS

A total of IL 1,917 million in index-linked government bonds were issued in 1976, as against IL 2,083 million in each of the years 1974 and 1975 (excluding the Voluntary

¹³ The data in this section reflect the activity of the State Loans Administration only, and therefore do not correlate with the date given in the economic analysis of the bond market (see Chapter XIX).

War Loan, which is not a tradeable security). Other financial institutions issued index-linked bonds amounting to IL 7,458 million in 1976, as against IL 5,952 million in 1975, and IL 4,260 million in 1974.¹⁴ Net mobilization of capital through non-compulsory government bonds (gross sales, after deduction of redemptions at market value and interest payments) was negative in 1976, amounting to IL 600 million, as against a positive net capital mobilization of IL 1,013 million, in 1975, and IL 733 million in 1974.¹⁵

The relative weight of government bonds in the total gross issues of linked bonds continued to drop this year and reached 20 percent, as against 25 percent in 1975, and 33 percent in 1974. This development reflects the fact that the public, who purchases about two-thirds of the government bonds every year, reduced its purchases considerably this year as result of worsened issue terms. In contrast, purchases by institutional investors did not decline at the same time. Each year they purchase over 90 percent of the bonds issued by the other financial institutions, with whom they are connected.

The major gross sale of government bonds to the public in 1976, amounting to IL 1,221 million, stems from 4 percent ten-year bonds featuring 90 percent linkage to the price index with interest. In contrast, IL 1,561 million of the same bonds were sold to the public in 1975, but fully linked. The sale of 90 percent linked bonds began in the second half of 1975 and ceased in December 1976, when bonds linked only 80 percent were issued. Until the end of 1976, IL 29 million worth of them were sold.

Bonds amounting to IL 122 million were issued in 1976 to social insurance and pension funds, which is similar to the previous year. Insurance companies' deposits on account of loan acquisition using sums derived from premiums on life insurance policies amounted to IL 515 million, as against IL 374 million in 1975. Purchase of bonds for the savings programs amounted to IL 28 million in 1976. These issues constitute a small part of the acquisitions of the institutional investors, whose main acquisitions are financial institution issues.

The issue rate of government bonds differed greatly between the two halves of the year and its development was similar to the demand trend in the total linked-bond market (see Chapter XIX). Accordingly, the level of sales to the public in the first half year was lower, and amounted to only IL 50 million, or 4 percent of the total bonds sold to the public in 1976. In the second half of the year there was a considerable recovery in the issue of bonds to the public, parallel to the drop in return on bonds traded in the secondary market. The decline, which reflected the price increase of these bonds,

¹⁴ According to an agreement with the Ministry of Finance, part of the amounts which are issued by the financial institutions are deposited with the Account General.

¹⁵ The data include redemption of absorption loans, issued in the past as compulsory loans and later changed to tradeable securities.

derived from expectations for a considerably accelerated price increase, following the implementation of the Value Added Tax in July and the decision to increase the prices of basic products. In this period there was a considerable level of redemptions of compulsory and noncompulsory loans. Peak amounts were sold in September and October (IL 724 million, which is 60 percent of the total sale of bonds to the public in 1976). The reduction of the linkage rate on 4 percent ten-year bonds, from 90 to 80 percent, again caused a standstill in the public demand for linked bonds, which continued at the beginning of 1977.

The major redemptions of noncompulsory loans began in 1976 with the option-type development loans, and they increased considerably: IL 257 million at nominal value, which is IL 1,400 million at redemption value (including linkage differentials, interest, and linkage on interest). Last year redemptions amounted to only IL 12 million or \$ 393 million, at redemption. Absorption loans as well, which in the past were issued as compulsory loans and then became tradeable, were redeemed in considerable amounts: IL 76 million at nominal value, or IL 393 million at redemption value.

B. COMPULSORY DEFENSE, SAVINGS, AND WAR LOANS

In 1976, IL 1,180 million worth of compulsory Defense, Savings, and War Loan Certificates were distributed, compared with IL 935 million in 1975. In the distribution activities, the certificates for compulsory loans, which the public was obliged to purchase in the past, are being handed over to their owners. In 1976, certificates were distributed to 1,035,000 beneficiaries. The bearer certificates are sent out through the post office or the banking institutions. During the year, certificates of the Defense and Savings Loans for 1970-72 were distributed, and then the certificates of the 1973 Defense, Savings and War Loans.

The Bank of Israel took various steps to trace addresses of beneficiaries whose certificates were sent out but had not been delivered by the beginning of 1976. Thereafter, a second distribution was conducted, in which half the beneficiaries whose certificates were returned to the Bank were traced. In this second distribution 135,000 beneficiaries received Defense and Savings Loan certificates from 1970 and 1971.

In October 1976 the group including the last third of the 1970 Savings Loan (group 2) was redeemed, after the two other groups of this Loan (group 3 and group 1) had been redeemed in 1974 and 1975 respectively. Thus all three groups of the 1970 Savings Loan were redeemed. In addition, in October 1976 the group including the second third (group 1) of the 1971 Savings Loan was redeemed, after the group of the first third of this loan (group 2) had reached redemption in October 1975. In August 1976 the group of the first third of the 1972 Employers' Savings Loans (including advanced redemptions) totaled IL 425 million in 1976 at their nominal value, or IL 1,384 million at redemption

TABLE XX-10

STATE LOAN ISSUES AND SALES (INCLUDING REDEMPTION OF COMPULSORY LOANS)^a, 1975-1976

	1975					1976				
	Gross issues (1)	Redemption of principal (2)	Devaluation increments on principal (3)	Interest and linkage increments thereon (4)	Net issue (1-2-3-4) (5)	Gross issues (1)	Redemption of principal (2)	Devaluation increments on principal (3)	Interest and linkage increments thereon (4)	Net issue (1-2-3-4) (5)
A. Long and medium-term loans										
Five-year option-type	6	12	272	115	-393	-	257	456	687	-1,400
Option-type for savings schemes	-	-	-	-	-	28	-	-	-	28
Six-year bonds	3	-	-	2	1	-	-	-	2	-2
Seven-year bonds	5	-	-	110	-105	-	-	-	31	-31
Ten-year bonds, 100% linked	1,561	-	-	52	1,508	1	-	-	247	-246
Ten-year bonds, 90% linked	11	-	-	-	11	1,221	-	-	1	1,220
Ten-year bonds, 80% linked	-	-	-	-	-	29	-	-	-	29
Long-term loans for pension and social insurance funds	123	-	-	18	105	123	7	18	70	28

For insurance companies	374	11	26	40	297	515	8	21	133	353
For banks	—	30	34	44	-108	—	49	51	86	-186
Total	2,083	53	332	381	1,317	1,917	321	546	1,257	-207
B.Absorption Loans	—	79	156	72	-304	—	76	220	97	-393
C. Total voluntary state loans (A+B)	2,083	132	488	453	1,013	1,917	397	766	1,354	-600
D. Compulsory loans (redemption only)										
Defense Loan 1970-73	—	13	16	2	-31	—	21	35	4	-60
Savings Loan 1970-72	—	285	417	54	-756	—	425	868	91	-1,384
Total redemption of compulsory loans	—	298	433	56	-787	—	446	903	95	-1,444
E. Total loans, excl, Short-term Loan (C+D)	2,083	430	921	509	226	1,917	843	1,669	1,449	-2,044
F. Short-Term Loan	725	800	—	23	-98	674	690	—	21	-37

^a The data in this table were provided by the State Loans Administration; they do not coincide with the figures appearing in the economic analysis of the bond market in Chapter XIX.

value (including linkage differentials and interest). In 1975 redemptions amounted to IL 285 million and IL 756 million respectively.

The Defense and War Loans may be redeemed early upon the death of the owners or due to age. The redemptions of 1970-1973 loans totaled IL 23 million at nominal value in 1976, or IL 63 million at redemption value, as against IL 13 million and IL 31 million respectively in 1975.

C. SHORT-TERM LOAN

The downward trend in the Short-Term Loan balance continued in 1976. The balance of the loan held by the public amounted at the end of 1976 to IL 68 million, a drop of IL 16 million, as against a decline of IL 70 million in 1975.

Following the decline in the balance of the Short-Term Loan, which began in the second half of 1975, the Bank of Israel decided in January 1976 to increase the return to the public on this loan. The timing for this decision resulted from the need to absorb from the public funds which were released following the slump in the linked-bond market. The net return was raised by one percent per year in the 3-month series (from 11.25 to 12.25 percent per year), and in the 6-month series (from 11.5 to 12.5 percent per year). In the 12-month series the increase was 1.25 percent (from 11.75 to 13 percent per year). This increase in return caused a rise in the balance of the loan in the months January to March, but from April there was again a drop in the loan balance which continued until the end of 1976.

The tendency to prefer the 3-month series continued in 1976. Their relative share in total sales rose to 82 percent, as against 80 percent in 1975, and 73 percent in 1974. As a result, the average life span per loan certificate decreased to 69 days at the end of 1976, as against 78 days at the end of 1975, and 88 days at the end of 1974.

D. OPEN-MARKET OPERATIONS

The major activity of the Bank was intended to regulate the trade in government bonds and the Short-Term Loan, and to encourage trade on the secondary market, in order to promote sales at source, taking into account the liquidity situation in the economy. The rapid growth in the volume of the Bank's activity on the open-market continued in 1976, but at a more moderate rate than in 1975 and 1974. The Bank conducted transactions at a volume of IL 1,214 million at market prices (purchases and sales), out of which IL 1,104 million was in index-linked government bonds, and IL 110 million in the Short-Term Loan. The Bank's activity in 1976 was of a much lower volume and amounted to IL 950 million, out of which IL 750 million was in linked bonds and IL 200 million in the Short-Term Loan.

The activity of the Bank of Israel in 1976 was concentrated in acquisitions of linked government bonds, mainly in the first half year. During this period the linked securities market was affected by a deep slump, which mainly reflected the negative reaction of the public to policy measures on the capital market in December 1975 (for details, see this chapter in the 1975 Report). These measures, and other fears of effects on the bond market, created considerable supply surpluses in the secondary market, which caused step declines in bond prices. This caused large increases in their returns as against returns on issues at source. The Bank of Israel acted during this period to regulate and moderate fluctuations in bond prices in order to assure the flow of trade in government bonds.

The surplus acquisitions of government bonds by the Bank totaled IL 741 million in 1976, out of which IL 488 million was purchased in the first half of the year. This amount also includes linked bonds not registered for trade the Stock Exchange totaling IL 260 million, which the Bank of Israel purchased from the Banks within the framework of monetary policy measures taken to reduce the liquidity deficits of the banks (see Chapter XVII).

The share of the Bank of Israel in the bond market within the framework of the Securities Exchange increased from 5.8 percent in 1974 to 10.3 percent in 1975, and to 11.7 percent in 1976. It should be emphasized that in these years there was a considerable growth in transactions outside the Stock Exchange, in comparison to the share of transactions within the Exchange. Accordingly, the share of the Bank of Israel in the total activity of the secondary market, both within and outside of the Securities Exchange, declined from 3.8 percent in 1974 to 3.0 percent in 1975, and to 2.3 percent in 1976.

E. SAFEKEEPING OF SECURITIES AND SERVICING THE PUBLIC

The Bank of Israel accepts for safekeeping the securities of insurance companies, banking institutions, the Accountant General, the Tel-Aviv Stock Exchange Clearinghouse, various companies, and individuals requesting the bearer bonds they have purchased. The handling of deposits includes handling of accounts, deposit and withdrawal of bonds, calculation of interest, and principal redemption. The largest and most active of these accounts is that of the Stock Exchange Clearinghouse, whose daily turnover runs into the thousands: in 1976, 318,000 bonds were deposited in the account and 200,000 withdrawn. At the end of 1976 the Bank held at its vaults 3.3 million noncompulsory loan certificates. By law, the insurance companies deposit bonds or cash with the Accountant General. About 100 of these deposits are managed by the Bank of Israel.

The Bank of Israel also administered various loans issued by financial institutions and other nongovernment public entities. The balance of these loans, the bulk of which constitutes loans issued by Bank Tefahot Ltd., includes 47 series at a nominal value

amounting to IL 475 million at the end of 1976. This year another Bank Tefahot series was added at the value of IL 40 million, linked to the index. The balance of the other institutions is excessively low, and no essential changes took place in it in 1976. (These loans are detailed in the Appendix to this chapter).

The Bank of Israel enables the public to redeem bonds and to cash in interest coupons of the various State loans it administers at its offices in Jerusalem, Tel Aviv and Haifa, in addition to the redemptions and interest payment carried out in the banks. During 1976, 270,000 bonds and interest coupons were redeemed through the State Loan Administration to 90,000 persons. These data refer to both the compulsory and non-compulsory loans. In addition, about 100,000 persons applied to the Bank of Israel to clarify matters concerning compulsory loan holdings.

F. FOREIGN LOANS ADMINISTERED BY THE BANK OF ISRAEL

The decline in capital mobilization from abroad through the Development Loans (Israel Bonds) continued. Total gross sales of these loans to the public and institutional investors amounted to \$ 200 million in 1976, as against \$ 252 million in 1975, and \$ 295 million in 1974. Sales to the public amounted to \$ 147 million in 1976, and to the institutional investors, a further \$ 52 million. The drop in the level of sales is distinct in the net issue amounts (distribution less redemption), which dropped in 1976 to only \$ 48 million, as against \$ 96 million in 1975 and \$ 146 million in 1974. The downward trend in the net issue amounts abroad is also outstanding in relation to the years prior to the Yom Kippur War. In each of the years 1972 and 1971 the net issue amounted to \$ 170 million. The balance of foreign loans in circulation amounted to \$ 1,912 million at the end of 1976, as against \$ 1,864 million at the end of 1975. Out of this amount, about three-quarters are held by the public and the fourth quarter by institutional investors. (For details on those deposits, which are administered by the Bank of Israel, see Appendix to this chapter.)

The Bank of Israel handles the conversion and redemption of the State's foreign bond issues. These bonds are convertible and redeemable in advance in Israel by institutions, tourists, investors, new immigrants, and returning residents, on terms designated by the Foreign Exchange Division in the Ministry of Finance. Total conversions in Israeli currency dropped to \$ 91 million, in 1976, as against \$ 105 million last year. The amounts of interest paid in Israeli currency on the conversion amounted to a further \$ 7.6 million this year. The division of conversions by beneficiaries indicates the large share of institutions, about 65 percent, similar to their share last year. The share of tourists increased slightly, to 22 percent, whereas the share of the other converters declined slightly.

6. SUPERVISION OF BANKING AND FINANCIAL INSTITUTIONS

a. Institutions Subject to Supervision

The number of banking and financial institutions supervised by the Bank of Israel decreased in 1976 from 64 to 62. The most distinct change, following the trend of recent years, was the decline in the number of cooperative credit societies from 9 to 6. Hamizrah Savings and Loan Company and The Irawi Immigrants Savings and Loan Society were acquired by Bank Leumi, and Otzar Amami was acquired by Bank Hapoalim, which also acquired CFC Comprehensive Financial Corporation, Ltd.

The Industrial Bank of Israel transferred its branches to the First International Bank of Israel and changed its status from a commercial bank to an investment bank. The Yahav Financial Institution changed its status to a commercial bank. The Kupat Am Bank transferred its branches to Bank Leumi and The Union Bank, but continues to operate its head office. Supervision was imposed on the Mimunim Financial Company of Bank Leumi which received the status of a financial institution, and on the Financing and Mortgage Bank (previously called Japhet Financing and Mortgages), which received the status of a mortgage bank.

b. Bank Branches

At the end of 1976 there were 965 branches of commercial banks and cooperative credit societies operating in Israel (including head offices and agencies). During the year,

TABLE XX-11

BANKING AND FINANCIAL INSTITUTIONS UNDER BANK OF ISRAEL SUPERVISION, 1975-1976

End of Year	1975	1976
Commercial banks ^a	21	21
Cooperative credit societies	9	6
Mortgage banks	15	16
Investment banks	5	6
Financial institutions	14	13
Total	64	62

¹ Excludes 4 inactive banks.

24 new branches were opened as well as 3 agencies in hotels. In addition, an experimental mobile branch was put into operation to serve the settlements of the Shafir region. Also, 5 automatic tellers were operated for the public in locations outside the banking premises. Three of them constitute an experiment in the operation of such automats, with the ability of carrying out many operations through direct connection to the bank's computer. The number of branches in the administered areas remained the same — 22.

The Bank of Israel's subcommittee on bank branches did not issue any approvals for the opening of new branches in 1976.

c. Bank Audits

Following the change in the organizational structure of bank auditing, beginning in 1976, auditing of commercial banks will be conducted by teams specializing in particular fields, such as foreign exchange transactions, credit, securities and savings programs, liabilities, and report verification. Besides auditing routine subjects, a great number of institutions were examined in special fields, such as credit guarantees, verification of reporting concerning the required liquidity on fixed-term deposits in Israeli currency, investments in securities against approved savings programs, banks' new issues for increasing their capital, etc. At the same time, the auditing teams operated on the basis of the following groups of banks : investments banks, mortgage banks cooperative societies, and financial institutions, all of which utilize many sources of information including routine statistical reports, audit team reports, prospectuses and balance sheets.

d. Publications and Research

As usual, the Examiner of Banks published an annual report on the banking system in Israel. In addition, the following publications were issued currently: "Statistics of the Banking Institutions" (a monthly review), "Promissory Notes not Duly Paid" (a monthly publication), "Bank Credit by Economic Branches" (quarterly), "Deposits in Banking Institutions" (annual).

In 1976, two research papers were published concerning equity capital : "Equity Capital in the Banking Institutions in Israel" and "The Adequacy of Equity Capital in the Banking Institutions in Israel". Also, the first edition of the bibliographical pamphlet "Publications on Banking in Israel" was published.

e. Legislation and Directives

Two amendements to the Banking Ordinance were passed in 1976, one intended to pro-

protect the bank against claims arising from strikes, and the second to define its status in the administration of joint accounts in the event that one of the partners dies. The Examiner of Banks issued circulars that dealt with various subjects, the most important of which were : procedures for receiving approvals from banks outside of Israel, the bank's obligation to bring to the knowledge of the accountant every report of the Examiner of Banks, banks' opening hours, interest payments on non-moving deposits. The Examiner also published changes and clarifications to directives concerning the editing of the annual financial reports of commercial banks.

f. Complaints of the Public

The Department of the Examiner of Banks deals with the public's complaints concerning banking services. In 1976 some 700 complaints were submitted, compared with 550 the year before. The distribution of the complaints by subject did not change in comparison with 1975: most of them related to current accounts, checks returned or not honored, foreign currency transactions (delayed transfers from abroad, calculations of interest, and commission on deposits), mortgage loans (interest calculations, rate of monthly payments, and interest on payments in arrears), securities (late redemption of compulsory loans, and commissions on redemption), and savings programs (breach of deposits). The proportion of complaints found to be justified dropped from 28 percent in 1975 to 22 percent in 1976.

g. Clearinghouses

The Bank of Israel administers and supervises the operations of the main clearinghouses in Jerusalem, Tel Aviv and Haifa, together with representatives of the banking institutions. In 1976 the volume of items (checks, notes, and debit and credit advices) passing through the three clearinghouses amounted to IL 220,862 million, as against IL 159,262 million in 1975, an increase of 38.7 percent. The use of electronic equipment for sorting checks encoded in magnetic ink continued to expand in 1976. Since the equipment for these operations exists only in the central banks in Tel Aviv, magnetic sorting is carried out only in this city. The process explains the drop in items passing through the clearinghouses in Jerusalem and Haifa, on account of the large growth in items passing through Tel Aviv. It was therefore decided to operate only one large clearinghouse in Tel Aviv. In the first stage, the Jerusalem clearinghouse ceased to operate from January 12, 1976. The operation of the clearinghouse in Haifa was ceased only later due to organizational problems.

h. Advisory Committee on Matters Relating to Banking Business

The committee discussed the following matters; a proposal for legislation concerning

cash transactions, opening days of the banks, the bank's obligation to bring to the knowledge of the accountant every auditing report of the Examiner of Banks, the Report of the Examiner of Banks on the banking system in 1975, interest payments on nonmoving deposits, supervising banks in the international field, and computerization of the banking system for customer service.

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

a. International Monetary Fund (IMF)

In 1976, Israel drew 77 million Special Drawing Rights (SDRs),¹⁶ equivalent to \$ 89 million, from the IMF. The bulk of this sum, SDR 65 million (\$ 75 million) was received in August within the Compensation Financing Fund, and the remainder, SDR 12 million (\$ 14 million), was received in November within the framework of increase of Israel's credit tranche.¹⁷

¹⁶ The value of one SDR, which is based on a basket of 16 currencies, ranged in 1976 between \$ 1.14 and \$ 1.175.

¹⁷ This credit carries 4 percent interest in the first year, rising by half a percent each additional year up to a maximum of 6 percent. According to the Fund's amended Articles of Agreement such credit must be repaid within three to five years from the date of receipt.

In November, the IMF expanded the scope of the Compensation Financing Fund through which assistance was granted to countries whose income from exports was affected. Because of the economic recession in the export markets of Israel in 1975, Israel was entitled to receive the maximum compensation credit of SDR 65 million, in August 1976.

In 1975, the Fund offered to raise the credit tranches of all member nations by an average of 32.5 percent. According to this offer, Israel's tranche will be increased by 57.7 percent, from SDR 130 million to SDR 205 million. Since the process of ratification of the new tranches is long and may only terminate in 1977, it was determined that until the final stage, all credit tranches already withdrawn will be increased by 45 percent, namely, from 25 percent to 36.25 percent from the credit tranches from the IMF amounting to SDR 32.5 million each, and so this decision enabled the Fund to grant Israel further credit amounting to SDR 29.25 million. The first supplement of SDR 12 million was granted in November 1976.

During 1976 two missions visited Israel on behalf of the monetary fund, the first in January, for consultations concerning the increase of the foreign travel tax and the

implementation of an import levy on various services. The second, in August, was in connection with the agreement for receiving the addition to the credit tranches. This agreement is valid for one year, similar to the previous agreement that enabled Israel to receive the second credit tranche.

The Interim Committee of the Board of Governors resolved to remove gold gradually from the international reserve structure. In June 1976 the monetary fund began to sell a total of 25 million ounces of gold on the free market in small quantities. During 1976 the Fund sold about 4.0 million ounces of gold, and the profits on those sales, amounting to \$ 320 million, were transferred to a trust fund founded for the purpose of granting long-term credit bearing a subsidized interest rate of half a percent to the poorest countries, in which the per capita income in 1973 was lower than SDR 300 per year. This resolution also implied that every developing country is to receive back its share in the profits on the sale of gold. The implementation of this resolution has been delayed, since the Funds is endeavoring to persuade developing countries that can afford to contribute their gold profits to the trust fund, to do so. At the same time, with the resolution to sell the 25 million ounces of gold on the free market, the Fund decided to return to the member nations an additional 25 million ounces of gold. In January 1977, the Fund returned the first quantity, totalling 6 million ounces, and Israel's share in this was 27,850 ounces.

b. The World Bank and Affiliated Institutions

1. The World bank

In 1975 Israel was removed from the list of countries entitled to borrow from the World Bank due to the level of per capita income which, according to the present calculation method of the World Bank, is too high. However, the utilization of loans previously approved by the World Bank continued in 1976. The total loans received in 1976 amounted to \$ 18 million, while total loans repaid reached \$ 17 million. The balance of loans not yet utilized amounted, at the end of 1976, to \$ 77 million, within the framework of the second road network project, the sewage project, and the loan for industrial development approved in May 1975 (for details, see Appendix to this chapter).

The World Bank plans an equity capital expansion of \$ 8.5 billion. Israel was assigned a supplement of about \$ 68 million; of this amount, Israel will have to pay \$ 680 thousand in foreign currency and \$ 6 million in local currency. Due to difficulties in obtaining adequate support for this plan, its execution was put off several times in 1976, and one cannot expect it to be implemented prior to mid-1977.

2. International Financing Corporation (IFC)

This World Bank affiliate assists private enterprise by participating in their share capi-

tal and providing loans. The assistance of this corporation is important in that it enables private enterprises to turn to the international capital markets. In 1976, the IFC granted a loan of \$ 7 million to Makhteshim, bearing 10.5 percent interest for a period of 11 years, after acquiring shares in Makhteshim in 1975 amounting to \$ 1.75 million and granting this company a loan of the same amount.

In mid-1976 the IFC also decided to reduce the number of countries entitled to assistance, using the calculation method applied in the World Bank, and so Israel was removed from the list of countries entitled to further assistance.

3. International Development Association (IDA)

This World Bank affiliate provides loans on concessionary terms to developing countries, and obtains most of its funds from contributions of the member states. In the fourth replenishment to this institution, Israel transferred its third instalment, in the amount of IL 840,000, in 1976. It will be recalled that in 1973 the government of Israel decided to contribute the amount of IL 4.2 million in local currency (then equivalent to \$ 1 million), in 5 equal annual instalments.

4. Inter-American Development Bank (IDB)

In July 1976, the formal procedures were finalized to accept twelve additional countries outside the American continent, including Israel, as members in the Inter-American Development Bank. Israel undertook to purchase shares in the Bank in the amount of \$ 5 million, out of which \$ 820,000 was in actual payment, and to contribute \$ 5 million to the Special Operations Fund. According to the arrangement agreed upon with the Bank, Israel's membership in the Inter-American Bank entitles Israeli companies to enter tenders for carrying out projects in the American continent, with loans granted by the Bank.

8. ECONOMIC RESEARCH

As usual, the Bank's Annual Report includes much of the current research on Israel's economy conducted by the Research Department. The preparation of policy background papers and forecasts occupied an important place in the department's work in 1976. The following research studies were published during the year :

1. Periodic internal surveys of monetary developments.
2. *Economic Indicators*, a weekly publication in Hebrew with a restricted distribution.
3. Issue No. 23 of *Recent Economic Development*.
4. Report of the Governor of the Bank of Israel on the increases in the money supply between June 30, 1975 and June 30, 1976.
5. "National Budget for 1977," prepared by the Bank's Research Department and the

Economic Advisory Bureau of the Ministry of Finance, and presented to the Knesset together with the State Budget in March 1977.

6. "The Economy of the Administered Areas in 1974 and 1975."
7. "Structure of Protection in Israel in 1965 and 1975".
8. "Levels of Protection in Israel, 1968, and 1972-1974".
9. "Israel's Foreign Trade — Demand and Prices, Short-Term Regression Analysis".
10. "Measurement and Economic Analysis of the Development of Interest Rates on Free Credit from the Commercial Banks in Israel, 1965-1972".
11. "Monetary Policy and the Single Business : an Analysis of Business Accounts in Israel, The United Kingdom, The United States and Japan".

9. ADVISORY COMMITTEE AND ADVISORY COUNCIL

As usual, most of the meetings of the Bank's advisory committee and advisory council were dedicated to monetary and economic developments in general and the Bank of Israel's policy in particular. At the beginning of the year the advisory committee and council discussed various measures taken by the Bank of Israel within the framework of monetary policy to reduce the liquidity deficits of the banks, at the same time preventing the growth of free bank credit. While these measures were being taken, a high level of penalty rates on liquidity deficits was maintained, which also acted to increase the cost of the bank's free money resources. This, in turn, increased domestic bank interest rates (see Chapter XVII). Within this policy, it was decided also to increase the net return on the Short-Term Loan, and interest rates on directed credit from funds in Israeli currency were raised. Towards the end of 1976 there were signs of a rapid monetary expansion, which was expressed in the rise in money supply and banks credit to the public.

In order to restrict this wide effect, the advisory committee and council decided that the Banks were to begin repaying the loan granted to them by the Bank of Israel at the beginning of 1976 for reducing their liquidity deficits. The repayment began in stages starting in January 1977.

In addition to the discussion on the monetary and economic developments in the Israeli economy, the advisory committee also dealt with general matters related to the activities of the central bank, including amendments to directives concerning bank liquidity, changes in the issue terms of linked bonds, the issue of negotiable deposit certificates, and the establishment of a fund for assisting enterprises in distress.

The advisory council approved the Bank's Balance Sheet and profit and loss account for 1975, the report of the Examiner of Banks for 1975, and the administrative budget for 1975. It also discussed a series of proposals connected with the change of the Bank of Israel Law 5714, 1954, including increasing the Bank's share capital and reserve

fund, the appointment of an external comptroller, and the obligation of the Governor to present, prior to October 31 of each year, a report covering the period until August 31. The council also adopted the report of the Ne'eman Committee in which it was recommended to apply the method of accumulation in the Bank's Balance Sheet (see footnote 8 in this chapter).

The council also recommended the issue of banknotes and coins, part of which were issued in 1976 as mentioned in this chapter.

10. THE GOVERNOR OF THE BANK OF ISRAEL

Mr. Moshe Sanbar, who acted as Governor for five years, terminated his appointment on October 31, 1976.

The President of the State, Dr. Ephraim Katzir, appointed Mr. Arnon Gafni Governor at an official ceremony, as from November 1, 1976. Mr. Gafni is the third Governor of the Bank of Israel.

STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 1976

and

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1976

BANK OF

STATEMENT OF ASSETS AND LIABILITIES

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ASSETS

	December 31, 1976	December 31, 1975
Foreign assets		
Gold and foreign currency assets	12,031,410	8,403,716
Gold quota in the IMF	330,502	278,365
Other foreign currency assets	2,053,519	594,793
	41,415,431	9,276,874
Credit to the government		
Long-term liabilities	10,555,782	4,996,828
Treasury bills	218,029	213,633
Provisional advances	522,989	2,599,920
	11,296,800	7,810,381
Other credit and securities		
Credit in Israeli currency	3,596,664	2,393,536
Credit in foreign currency	4,356,931	3,996,096
	7,953,595	6,389,632
Less: Export finance deposits of banking institutions	753,995	966,748
	7,199,600	5,442,884
Securities	1,190,961	478,847
	8,390,461	5,901,731
Other accounts	904,432	225,439
Guarantees and documentary credits (see contra)	1,550,385	1,192,677
	<u>36,557,509</u>	<u>24,407,102</u>

PROFIT AND LOSS ACCOUNT FOR THE

DECEMBER 31, 1976

(IL thousand)

Interest, commission, and other income

Less interest paid, administrative expenses,
and other expenses

Operating profit

Less net losses from IL devaluation
and foreign exchange rate differentials

Net profit

Distribution of profit

To the Government – for lowering
of the long-term debt

To the government – as transfer

ISRAEL

AS AT DECEMBER 31, 1976
thousand)

		LIABILITIES	
		December 31, 1976	December 31, 1975
Banknotes and coin in circulation		5,073,217	4,172,176
Foreign liabilities			
Foreign currency deposits of banks abroad	88,069		14,200
Allocations of Special Drawing Rights	435,348		366,669
IMF deposits in connection with drawing	1,113,504		835,084
Other liabilities	30,619		21,407
		1,667,540	1,237,360
Government and National Institution deposits in foreign currency	460,163		39,172
Deposits of banking and financial institutions in Israel			
Banking institution deposits	5,357,837		3,029,423
Financial institution deposits	46,848		65,240
Banking institution deposits in foreign currency	8,975,670		538,840
Banking institution deposits denominated in foreign currency	12,770,188		8,556,091
		27,150,543	17,189,594
Other accounts		635,661	556,123
Capital and reserves		20,000	20,000
Liabilities on account of guarantees and documentary credits (see contra)		1,550,385	1,192,677
		<u>36,557,509</u>	<u>24,407,102</u>

YEAR ENDING

2,538,684

824,977
1,713,707

385,054
1,328,653

1,312,032
16,621

1,328,653

NOTES:

1. **National Accounting** – The management of the Bank of Israel accepted the recommendations of the public committee appointed by the governor of the Bank to examine the balance sheet, and began to apply the main recommendations of the committee in the financial reports for 1976. Accordingly, the financial reports for 1976 were based on accumulation. Registration of revenues from the government is based on the principle of simultaneous registration in the mutual accounts of the Bank and the Government of Israel. The Bank of Israel does not include in its income for a particular year sums resulting from debiting of the government unless they were actually paid or budgeted in that year. The reports were prepared according to the accepted accounting and financial report instructions.
2. **Foreign exchange rates** – The assets and liabilities in foreign currency are presented in Israeli pounds according to the purchasing rates published by the Bank of Israel on December 29, 1976.
3. **Gold and foreign currency assets** – Foreign currency assets include Special Drawing Rights in the IMF (SDRs) amounting to IL 87,939,000 (on December 31, 1975: IL 17,454,000). Revaluation of foreign currency securities was done according to the average weighted purchase price or the market value, whichever was lower, but in no case greater than the denominated value.
4. **Gold quota in the IMF** – Drawings on the IMF equal to the gold tranche. (So long as the drawing is in force the gold tranche is not included in the foreign currency reserves.)
5. **Credit to the government** – **Long-term liabilities** – In 1976 an agreement was signed between the Minister of Finance and the Governor of the Bank of Israel, with the approval of the Finance Committee of the Knesset, for the unification of the long-term advances to the Government given in previous years. The balance at December 31, 1976 includes the sum of IL 10,303,782,000 linked to 50 percent of the rise in the exchange rate of the US dollar. The balance at December 31, 1975 includes the sum of IL 3,817,515,000. Linked to the US dollar and presented in the balance sheet at the rate of IL 6 to the US dollar.
6. **Deposits for export financing of the banking institutions** – These deposits are related to the foreign currency credit for exports, and their balance as of December 31, 1976 includes foreign currency deposits IL 369,919,000 (on December 31, 1975: IL 404,315,000).
7. **Securities** – This item includes government bonds, mainly index linked. Registration of securities in the balance sheet is according either to the annual average purchase price or the value on the Stock Exchange at the end of the year, whichever is lower. The adjusted price or the Exchange value of these securities, whichever was lower, (calculated according to type of bond), amounted to IL 1,551,782,000 at the end of 1976. The difference between the adjusted value and the sum appearing in the balance sheet was not recorded in the books, according to the principle of simultaneous registration in the mutual accounts of the Bank and the Government of Israel (see note 1).
8. **Other accounts (assets)** – Includes land, premises and equipment recorded at IL 1. On December 31, 1976 this item includes accumulated income not yet received for 1976 totaling IL 627,804,000.
9. **Banknotes and coin in circulation** – Includes commemorative and special coins with a total face value of IL 75,036,000 (on December 31, 1975: IL 72,970,000).
10. **Banking institution deposits in foreign currency** – Includes IL 1,811,825,000 in deposits against free deposits (on December 31, 1975: 1,009,852,000).
11. **Other accounts (liabilities)** – On December 31, 1976, includes accumulated expenditures not yet paid, amounting to IL 352,195,000. On December 31, 1975 includes importers' deposits totaling 277,904,000 presented as a separate item in the December 31, 1975 balance sheet.
12. **Profit and Loss Account** – The change-over to the accumulation method increased the profit for 1976 by 275,609,000. The reduction of the long-term debt of the government by IL 1,312,032,000 was done according to an agreement between the Minister of Finance and the Governor of the Bank of Israel.

BANK OF ISRAEL

THE GOVERNOR AND MEMBERS OF THE ADVISORY COMMITTEE AND ADVISORY COUNCIL

31 MAY 1977

Governor

A. GAFNI

Advisory Committee

D. HOROWITZ, *Chairman*

CH. M. BASOK

A. EFRAT

E. I. JAPHET

J. LEVINSON

D. RECANATI (*observer*)

E. REINER

Z. SUSAYEFF

Advisory Council

D. HOROWITZ, *Chairman*

Y. BADER

H. BARKAI

CH. M. BASOK

A. BECKER

A. EFRAT

N. FEINGOLD

E. I. JAPHET

E. LEHMAN (*observer*)

J. LEVINSON

M. OLENIK

Z. ONN

E. OSTASHINSKY

D. RECANATI

E. REINER

Z. SUSAYEFF

MEMBERS OF THE ADVISORY COMMITTEE ON MATTERS
RELATING TO BANKING BUSINESS

O. MESSER, *Chairman*

D. BAWLY

D. BEN-DROR

C. BERMAN

M. DIGA

D. GOLAN

J. HAFT

A. HALPERIN

E.I. JAPHET

E. A. KIRSHNER

E. LEHMAN

J. LEVINSON

S. MAGRISO

A. MEIR

M. OLENIK

D. RECANATI

D. SHOHAM

A. SIVAN

MEMBERS OF THE COMMITTEE FOR THE PLANNING
OF BANKNOTES AND COINS

A. WITKON, *Chairman*
A. BIRAN
I.M. BRIN
R. DAYAN
D. GAD
R. HECHT
R. HOFFNER
G. KEICK
A. KINDLER
G. LEHRMAN
F. NAKHLA
Z. NARKISS
E. NAVI
D. REISINGER
M. SPITZER
G. ZIFRONI