



August 3, 2014

Minutes of the Telbor Committee meeting held on July 28, 2014

Committee members: Zahi Elias (banks' representative), Sharon Lavi (Tel Aviv Stock Exchange), Ketty Cohen (Bank of Israel Market Operations Department), and Roy Stein (Bank of Israel Research Department – Committee Chairperson)

Other participants: Liraz Refaely (First International Bank), Michal Rot-Levy (Bank Hapoalim), Guy Fischer (Bank Leumi), Dan Trister and Ian Klotnick (Discount Bank) and Ran Abraham (Mizrahi-Tefahot Bank)

The issues that were discussed:

1. In this meeting, data were presented regarding the Telbor derivative transactions of the five contributor banks, based on their daily reports to the Bank of Israel. In this regard:
 - Bank representatives requested that data for the public be published only at a monthly frequency, and only after the month has ended (not weekly or daily frequency).
 - It was noted that it is very important to include in the report, in addition to the transactions by the five contributor banks, all the transactions that were carried out, including transactions between two foreign entities not based in Israel. It was also noted that regulators around the world have begun to require current reporting on derivative transactions (EMIR and Dodd-Frank) and it is appropriate that the Bank of Israel also adopt this requirement.
2. Participants raised for discussion the possibility that another bank leaves the list of contributor banks. The question was therefore discussed of whether the Telbor market would be able to continue to function with only 4 banks, and whether such a situation should be prepared for, even though currently the risk of that happening is low. The Committee members emphasized that based on the current rules, the interest rate is fixed automatically on the basis of contributor bank quotes when there are at least 5 contributor banks. The participants said that one way to avoid such a problematic situation is to require the banks operating in Israel to be included on the list of contributor banks, in line with one of the recommendations in the Wheatley Review. Consideration may also be given to promoting the issue within the framework of formulating regulations for the conduct of a Telbor market contributor bank, and in accordance with the principles being formulated worldwide in the area of anchor interest rate quotes, while adapting them to the structural differences between the Telbor market and various interest rate markets around the world.
3. On July 14, 2014, a communications malfunction occurred at one of the contributor banks, and the bank did not deal with it in accordance with the Committee's guidelines. As a result, the Telbor interest rates for various terms were calculated on the basis of an inaccurate quote. As such, after the interest rate was fixed, Committee members had to report to the Reuters system and to all Telbor market participants on a malfunction in the fixing, and to report a new fixing level. At the current meeting, participants discussed the importance of the control process that each contributor bank carries out on the proper working order of the

communication system with Reuters. It was decided to refresh the procedure for dealing with technical malfunctions and to publish a clear and organized procedure. See Appendix 1.

4. It was decided to expand the window of time in which a contributor bank must carry out transactions on the basis of its quotes, and to advance the opening time of the window to 11:00. Thus, there will be more time to carry out transactions within the framework of the commitment, and there will be an increased probability of locating communications malfunctions early. Accordingly, there will be an increased probability that malfunctions will be corrected by the time quotations are sampled in order to fix the Telbor interest rate. This decision will take effect in the beginning of September 2014.

Appendix 1

Procedure for handling technical malfunctions in transmitting Telbor interest rates, written for contributor banks

Every contributor bank is required to quote, on a constant basis, the Telbor interest rate for various terms. On Monday through Thursday, this should be done from 10:00 through 17:00, and on Friday from 10:00 through 13:00.

Each contributor bank must clarify by 10:30 that the quotation system of the central distributor is in working order, and the quality of the communication. If there is a malfunction, it should be reported to Reuters representatives no later than 11:00 in the morning, and it should be verified that the quoted interest rates in the Reuters system have in fact been corrected.

- i. In a case of a technical malfunction after 11:00, and until the time that the Telbor rate is fixed: Inform **by telephone** at least one of the three Reuters representatives appearing at the top of the contact list (see Appendix 2). In addition, **a notice** regarding the malfunction is to be sent to all Reuters representatives, all Committee members, and to all representatives of contributor banks, and to note the interest rate that the bank is interested in quoting.
- ii. In a case where a contributor bank reports a malfunction after the Telbor rate has been fixed and published: Immediately update Committee members and provide a short and clear explanation of the reason for the malfunction and the late reporting.

Calculating the interest rate:

- i. In a case of a technical malfunction which is reported before the interest rate is fixed and published: The Telbor interest rate will only be published automatically if the Reuters system successfully receives the bank's corrected quote (whether electronically or manually). If the quote is not corrected before the data sample time, the Telbor interest rate will be calculated and published late on that day, based on the corrected quote (that the contributor bank reported in its notice).
- ii. In a case where the Telbor interest rate was already calculated and published, on the basis of the incorrect quote: One of the Committee representatives will immediately report that to all the people on the Contact List below (as well as to brokers and foreign banks operating in Israel) and will make sure to calculate—and to publish by the end of the day via the Reuters system—the Telbor interest rate on the basis on all the other quotes (excluding the erroneous quote).

Appendix 2

Contact List

Organization	Email address	Phone number
Reuters representatives		
Annie Peleg	annie.peleg@thomsonreuters.com	054-424-0927
Ralph	ralphh@exsys.co.il	054-429-1455
Dave	dave@exsys.co.il	054-465-0220
	ronen.gabriel@thomsonreuters.com	054-250-9142
	shaul.osezikli@thomsonreuters.com	054-424-0918
	asli.sehirli@thomsonreuters.com	
	pavel.petkov@thomsonreuters.com	
Telbor Committee members		
Roy Stein	roy.stein@boi.org.il	050-551-2398
Ketty Cohen	ketty.cohen@boi.org.il	050-620-2548
Zahi Elias	zahi_e@bll.co.il	054-712-5041
Sharon Lavi	sharon@tase.co.il	052-350-0011
	The Bank of Israel dealing room serves as a backup for BOI representatives on the Committee. The room operates on Monday–Thursday, from 8:30 until 18:00, and on Fridays or holiday eves from 8:30 until 13:00. The telephone numbers for the dealing room are 02-655-2300, 02-655-2353, or 02-655-2369. Please ask to speak with a liquidity desk employee or with the head of the dealing room.	
Contributor bank representatives		
Hapoalim	liran.carmel@mailpoalim.co.il , michal.rotlevi@mailpoalim.co.il , yossi.cuomo@mailpoalim.co.il ,	
First International	refaely.l@fibi.co.il , ogdan.r@fibi.co.il , amanou.r@fibi.co.il ;	
Leumi	guyf@bll.co.il ,	
Discount	dan.trister@discountbank.co.il , ian.klotnick@discountbank.co.il ,	
Mizrahi-Tefahot	abrahamr@umtb.co.il ,	