



October 15, 2013

**Summary of the Monetary Committee discussion and decision of October 1, 2013  
on management of the foreign exchange reserves**

**1. Proposal to transfer 0.5 percent of the reserves from the US equity portfolio to  
the German equity portfolio**

**Background:**

In February 2013, the Monetary Committee approved an increase in the percentage of the reserves portfolio which may be invested in equities, from 3 percent to 6 percent. Since then, the Market Operations Department has increased the investment in the equity market to 5.5 percent. Currently, this includes 4.7 percent in the US, 0.24 percent in Germany, 0.24 percent in France, and 0.5 percent in the UK.

The Market Operations Department recommended to the Monetary Committee to transfer 0.5 percent of the reserves from the US equity portfolio to the German equity portfolio. The Market Operations Department assesses that under current global capital market conditions, reallocating some of the portfolio to investment in Germany is in line with the Department's portfolio investment objectives and that the proposed change is not expected to influence the overall risk level of the reserves portfolio.

During the discussion, it was clarified that the recommendation is specific to current market conditions.

**Monetary Committee decision:**

To transfer 0.5 percent of the reserves from the US equity portfolio to the German equity portfolio. The recommendation was accepted by a majority of 4 votes. One member opposed the decision. The member who opposed the decision thought that it was better to wait and make the decision within the framework of the asset allocation discussion that the Department will present at the end of the year.

**Participants:**

**Members of the Monetary Committee**

Dr. Karnit Flug, Deputy Governor of the Bank of Israel, who under authority of Acting Governor serves as Chairperson

Prof. Alex Cukierman

Prof. Reuben Gronau

Prof. Rafi Melnick

Mr. Barry Topf, Senior Advisor to the Governor on Monetary Policy Issues

**Other participants**

Mr. Andrew Abir, Director of the Market Operations Department

Mr. Eddy Azoulay, Chief of Staff to the Governor

Mr. Tal Biber, Head of Markets Division in the Market Operations Department

Mr. Mickey Blank, Deputy Head of Dealing Room

Ms. Francoise Ben-Zur, Head of Finance Division in Market Operations Department

Ms. Guenia De Mayo, Head of Risk Management Unit in Market Operations Department

Mr. Daniel Hofbauer, Dealing Room

Mr. David Hoffman, Economist in Market Operations Department

Prof. Nathan Sussman, Director of the Research Department

Ms. Hagit Waknin, Economist in Market Operations Department

Mr. Roe Levy, Economist in Market Operations Department

Mr. Yoav Soffer, Deputy Spokesperson

Mr. Ilan Socianu, Assistant to Secretary of the Monetary Committee and the Supervisory Council

Ms. Esti Schwartz, Secretary of the Monetary Committee and the Supervisory Council