



**BANK OF ISRAEL**  
Office of the Governor

July 5, 2018

**To:**  
**The Prime Minister of Israel**  
**Mr. Binyamin Netanyahu**

Mr. Prime Minister:

On November 12, 2018, five years will have elapsed since I was officially appointed to my position as Governor of the Bank of Israel, and my term of office will end pursuant to the law. I would like to notify you that I have decided not to stand as a candidate for an additional term of office.

I was privileged to head an organization of the highest quality, which works with professionalism, dedication, and loyalty, and that on a daily basis lives up to the vision it set for itself—to be among the most advanced central banks and to contribute to the prosperity of Israel and the welfare of its citizens. This is not the time for summing up, but I can already say that I will end my tenure with a feeling of great satisfaction, as the Bank of Israel has a respected role in the robust state and the stability displayed by Israel's economy in recent years, as well as in the analysis and the promotion of discussion regarding the considerable challenges we will face in the coming years.

Against this background, and because I know that you are aware of the importance of the role played by the Bank of Israel over the years, I appeal to you, Mr. Prime Minister, with a request that you ensure that the process of selecting the Governor of the Bank of Israel be managed in a way that will ensure the independence and professionalism of the Bank of Israel in the coming years as well, in relation to the management of the appointment process and in terms of the final result. I am available to assist you should you request it, and obviously to help with the successful entry into the position of whoever is finally selected.

As you know, the independence and professionalism of the Bank of Israel are an important element in the robustness and prosperity of the Israeli economy. The international reputation earned by the Bank of Israel as a professional, credible and independent agency make an important contribution to the credibility of the Israeli economy and of the Israeli currency, and to the stability of the financial system. The governors chosen by the Prime Minister to lead the bank over the years, of course including Prof. Stanley Fischer whom you selected, were first-rate professional, and their reputation was an important element of the Bank of Israel's professional reputation.

The independence of the Bank of Israel is important for the management of monetary policy and is anchored in the law as a lesson of the most serious economic crisis in the State's history. The Bank's independence is no less important in maintaining financial stability, and in fulfilling the Governor's role as economic advisor to the government, with the obligation of analyzing and formulating long-term recommendations based on real data and deep professional foundations. The existence of a professional, independent agency is even more important in situations where the government operates under constant uncertainty regarding the timing of the next elections and other short-term political forces. In order for decision-makers to be exposed to and aware of the implications of various policy alternatives, both short-term and long-term, it is essential that the professional position be expressed openly, transparently, and without duress.

The importance of these things is brought into clear focus in view of the fact that the continuity and certainty regarding the Bank of Israel's professional role are under constant scrutiny by foreign ratings agencies, international economic institutions, and of course by participants in the Israeli financial markets and Israeli citizens in general.

I would like to emphasize and clarify that I will continue to lead the Bank of Israel, in all its roles, and particularly in the conduct of monetary policy, until the date on which my term comes to an end and the term of the next governor begins.

Sincerely,

Karnit Flug