



August 14, 2017

### **Minutes of the Telbor Committee meeting held on July 27, 2017**

**Committee members present:**

Roy Stein (Chairperson), Bank of Israel  
Research Department  
Zahi Elias, ACI Israel President (Forex)  
Sharon Lavi (Tel Aviv Stock Exchange)  
Ketty Cohen, (Bank of Israel Market  
Operations Department)

**Other participants:**

Liraz Refaely (First International Bank)  
Idit Moskovich (First International Bank)  
Ran Abraham (Mizrahi-Tefahot Bank)  
Yossi Cuomo (Bank Hapoalim)  
Zach Sharon (Bank Leumi)

**The issues that were discussed:**

1. The Committee discussed how contributor banks' transactions are distributed by sector<sup>1</sup>, among other things in order to examine if the foreign banks' transaction volume declined as a result of global regulation—which has already gone into effect—making their interest-rate contract activity more expensive, so long as the transactions are not cleared at an authorized central clearing house. In addition, the Committee examined partial data from several international entities that began reporting to the Bank of Israel within the framework of expanding information on derivatives transactions. Appendix 1 presents all the data examined during the discussion. Following are the main findings:
  - 1.1 The scope of transactions executed by contributor banks vis-à-vis foreign entities did not contract in recent months, and compared with the second half of 2016 it even increased slightly.
  - 1.2 It appears that foreign entities that began reporting to the Bank of Israel are acting vis-à-vis other foreign entities more than they are transacting with domestic banks. This finding indicates that among foreign entities there is much activity in interest-rate derivatives but its full scope is still not known. It is expected that toward the end of 2017 the Committee will be able to examine the aggregate reported data in more detail, as the project of expanding the information is expected to end then.

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<sup>1</sup> Based on data from the old information system. It is important to note that it is likely that in this system the classification into sectors differs among banks. Within the framework of expanding the information regarding derivatives transactions, the relevant entities will take care to unify the classification of transactions in the information system and to scrub the data.

- 1.3 It is likely that against the background of the increase in uncertainty regarding the development of interest rates at central banks around the world, the scope of interest-rate derivative transactions grew in many of the countries that clear their transactions at an authorized central clearing house, while the scope of Telbor derivative transactions did not increase as those transactions are not cleared at such clearing houses.
2. The Committee discussed whether there is a need to change the frequency of its meetings.
3. Roy Stein updated the discussion participants regarding the Proper Conduct of Banking Business Directive on the issue of Telbor (rules of conduct applicable to banks that contribute quotations in the Telbor market) that the Banking Supervision Department is formulating.
4. The decisions reached at this meeting:
  - a. Ketty Cohen will contact the brokers operating in Israel in order to hear their assessments regarding the scope of transactions executed by foreign entities in Telbor derivatives (interest rate on the shekel) vis-à-vis the scope of their transactions in interest rate derivatives for other currencies. She will report her findings at the next meeting.
  - b. At the next meeting there will be a discussion on the quality and processing of data obtained from the new reporting system. Roy Stein will take care to have a representative of the Information and Statistics Department participate in the meeting, so that Committee members will be able to understand the various definitions and raise questions and ideas about processing the data and improving the information received.
  - c. For follow-up: To examine in more detail the aggregate data reported; after the project to expand the information ends.
  - d. The Committee decided unanimously that there is no need to change the frequency of its meetings, and it will continue to meet three times a year.

## Appendix 1

Transactions executed by contributor banks in Telbor derivatives, by sector									
Underlying asset value in NIS millions									
CCS	Other	Domestic banks	Domestic contributor banks	Institutional investors	Households	Business sector—non financial	Business sector—financial	Nonresidents	Total
01/06/2017				20	213		183	310	726
01/05/2017			113			65		1,431	1,609
01/04/2017						434		535	969
01/03/2017			60					628	688
01/02/2017			313					856	1,168
01/01/2017						280		2,221	2,501
01/12/2016	2					304	6	460	772
01/11/2016			145			1,481	142	875	2,643
01/10/2016						1,104		831	1,935
01/09/2016	15		552	34		101	182	502	1,386
01/08/2016	27		123			865	1	56	1,072
01/07/2016			96	271		234		1,928	2,530
01/06/2016						1,194		5,036	6,231
OIS	Other	Domestic banks	Domestic contributor banks	Institutional investors	Households	Business sector—non financial	Business sector—financial	Nonresidents	Total
01/06/2017				135		200	175	250	760
01/05/2017				70		450	315		835
01/04/2017				95		300	20	800	1,215
01/03/2017				87		420	200	770	1,477
01/02/2017		150	25			307	300	150	932
01/01/2017					115	125	51.2	50	341
01/12/2016						200	100	100	400
01/11/2016								600	600
01/10/2016									
01/09/2016				619			75		694
01/08/2016						200		250	450
01/07/2016			100			200		150	450
01/06/2016						32	50	750	832
IRS	Other	Domestic banks	Domestic contributor banks	Institutional investors	Households	Business sector—non financial	Business sector—financial	Nonresidents	Total
01/06/2017	150	65	1,277	100		3,286	791	10,186	15,854
01/05/2017	100	50	915	50	200	2,317	988	11,370	15,990
01/04/2017		50	529	540	50	2,620	966	10,403	15,158
01/03/2017			1,851	305	230	3,164	936	12,512	18,998
01/02/2017	100		644	216		582	167	7,344	9,052
01/01/2017	100		1,378	130	94	2,349	2,028	12,890	18,969
01/12/2016			330	1,428	160	1,547	3,064	8,528	15,057
01/11/2016			661	411	240	2,674	523	9,916	14,425
01/10/2016			451			531	67	3,794	4,843
01/09/2016		50	192	251	240	473	2,109	5,612	8,926
01/08/2016		30	300	100	130	541	453	3,369	4,923
01/07/2016		100	855	230	173	3,200	2,243	6,159	12,959
01/06/2016		50	859	200	0	1,421	1,365	7,639	11,534
01/05/2016			772	137	300	2,392	4,098	9,693	17,392
FRA	Domestic contributor banks	Nonresidents	Total						
06/2017		1,500	1,500						
05/2017	100		100						
04/2017	100		100						
03/2017	200	5,000	5,200						
02/2017		800	800						
01/2017	100	3,500	3,600						
12/2016	300	2,000	2,300						
11/2016		4,000	4,000						
10/2016	100		100						
07/2016	400	2,350	2,750						
06/2016	100	1,600	1,700						