



Report of the Monetary Committee discussion held at the Bank of Israel regarding management of the foreign exchange reserves Determining a maximum threshold for holding assets with a low level of liquidity

The discussion was held on May 11, 2022.

Background:

In order to ensure a sufficient level of liquidity in a time of need, the reserves portfolio is managed under liquidity limitations. Within this framework, the assets in the portfolio are classified under 3 levels of liquidity—high, regular, and low—with a minimum threshold for holding highly liquid assets and maximum threshold for holding assets with a low level of liquidity is set.

The increase in the level of the reserves in recent years, to approximately \$200 billion, makes it possible to markedly increase the portfolio's illiquid component. Such an increase is also consistent with the changes in the investment horizon and risk profile of the portfolio, and is also reflected in possible shares of investment in such assets according to the guidelines.

Discussion:

In the meeting, the Markets Department presented a recommendation to revise and increase the maximum permitted threshold for holding assets with low liquidity, against the background of the significant increase that occurred in the level of the reserves, the lengthening of the investment horizon and expansion of the risk profile, since the previous threshold was established.

Monetary Committee decision:

The Committee accepted the Markets Committee's recommendation to increase the maximum permitted threshold for holding assets with low liquidity.

The decision was reached unanimously.

Participants:

Members of the Monetary Committee

Prof. Amir Yaron, Governor of the Bank of Israel and Monetary Committee Chairperson

Mr. Andrew Abir, Deputy Governor of the Bank of Israel

Prof. Naomi Feldman

Prof. Moshe Hazan

Prof. Zvi Hercowitz

Prof. Michel Strawczynski

Other participants

Mr. Nadav Eshel, Governor's office
Mr. Tal Biber, Head of the Markets Division in the Markets Department
Mr. Mickey Blank, Markets Department
Ms. Deborah Ben-Ezra, Markets Department
Ms. Francoise Ben-Zur, Head of the Financial Division in Markets Department
Mr. Uri Barazani, Bank Spokesperson
Mr. Oren Hadjes, Markets Department
Mr. Reuven Hirschman, Markets Department
Ms. Hagit Waknin, Markets Department
Ms. Ketty Cohen, Markets Department
Mr. Dor Lev, Markets Department
Mr. Roe Levy, Markets Department
Mr. Arad May, Secretariat of the Monetary Committee and the Supervisory Council
Mr. Ori Marilus, Markets Department
Ms. Michal Sinai Livyatan, Legal Division
Dr. Amit Friedman, Advisor to the Markets Department Director
Ms. Jeanina Tirosh, Markets Department