

BANK OF ISRAEL

Office of the Spokesperson and Economic Information

Press release

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**Another step to ease the terms of credit for small and micro businesses that were harmed as a result of the war: The Bank of Israel enables supervised nonbank credit providers to make repo transactions with it.**

Bank of Israel Governor Prof. Amir Yaron: “One of the main tasks of the policy we are leading is to encourage the flow of credit in the economy, with an emphasis on small and micro businesses. This step joins a variety of measures that the Bank of Israel has adopted since the start of the war, which are intended to help the economy deal with the ramifications of the crisis and get through this period. At the same time, this step provides additional participants in the credit nonbank credit market with access to repo transactions with the Bank of Israel, thereby encouraging competition and strengthening their ability to provide attractive credit to their customers by lowering the cost of their financing sources.”

Since the outbreak of the war, the Bank of Israel has been acting through a number of measures intended to provide economic assistance during these complex times, while mapping the various needs arising from the field. Under these special circumstances, the Bank of Israel today announced **an expansion of the program to ease the terms of credit for small and micro businesses, to include supervised nonbank credit providers.** The aim of the measure is to provide assistance along another channel to small and micro businesses that have been harmed as a result of the war so that they can get through this period. The measure makes it possible for them to obtain credit under improved interest terms, despite the risk inherent in providing credit to these businesses during this time, in order to reduce the impact to this sector and to help in their recovery.

As a complementary tool to the monetary program to ease credit terms for small and micro businesses through the banking system[[1]](#footnote-1), the Bank of Israel will offer **repo transactions[[2]](#footnote-2) to nonbank credit providers that are supervised** by the Bank of Israel (credit card companies) or by the Capital Market Authority.[[3]](#footnote-3) The volume of the program to these entities will be up to NIS 1 billion.

The repo transactions will be executed in this channel subject to the provision of credit from November 20, 2023 to the end of January 2024 to small and micro businesses whose sales turnover suffered an impact of at least 25 percent[[4]](#footnote-4), on condition that the average interest rate on the credit issued does not exceed the prime rate, and in accordance with reports that will be sent to the Bank of Israel for this purpose.

As part of the repo transactions, the Bank of Israel will receive tradable collateral from the credit providers, such as government bonds, *MAKAM*, and corporate bonds meeting certain criteria. The interest rate as part of the transaction will be a variable rate of the Bank of Israel interest rate minus 1.5 percentage points. The transactions will be made for a period of 6 months, along two possible tracks: a) for credit issued to small and micro businesses for a range of between six months and two years; and b) for credit issued for longer than two years. In track “a”, the Bank of Israel will enable three additional 6-month periods, and in track “b” it will enable five additional 6-month periods, under the same terms. The new tool will begin operating in the first week of December 2023. More details and the relevant agreement are attached to this notice (in Hebrew).

In addition, the Bank of Israel is **expanding the terms** on the monetary program to ease the terms of credit for small and micro businesses through the banking system, which was published on November 6, 2023. As part of this, the Bank of Israel will provide an additional track for monetary loans of up to 3 years subject to the provision of credit for a period of more than two years for small and micro businesses harmed by the war, subject to the rest of the terms of the program. The volume of the overall program remains unchanged, at NIS 10 billion. Full details will be sent to the banking system in a separate circular.

1. Published on November 6, 2023. [↑](#footnote-ref-1)
2. As part of a repo transaction, the owner of a security (mostly bonds) sells it to the counterparty in the transactions, with a commitment to buy it back on a predetermined date at a predetermined price. Thus, the security’s owner essentially receives financing for a determined period, with the security serving as collateral. [↑](#footnote-ref-2)
3. Entities that have received a license from the Capital Market, Insurance, and Savings Authority to provide expanded credit as defined in the Supervision of Financial Services (Regulated Financial Services) Law, 5776–2016. [↑](#footnote-ref-3)
4. The negative impact to revenue (“transaction turnover” in accordance with VAT reporting) is at least 25 percent in one of October, November, or December 2023. [↑](#footnote-ref-4)