



**Summary of the Monetary Committee discussions
on May 22 and June 7, 2016
regarding new markets for investment in shares**

Background data

On February 2, 2016, The Monetary Committee approved the Market Operations Department's recommendation regarding the asset allocation in the Committee's benchmark. The approved composition of the benchmark includes 10 percent investment in equities. Further to the Committee's request, the Market Operations Department examined the diversification of 0.5 percent of the allocation for investment in equities to new stock markets, in addition to the stock markets where the foreign exchange reserves are currently invested. Investment in a new stock market is conditioned on the Monetary Committee's approval.

The Market Operations Department presented an analysis of additional stock markets with a market capitalization of more than \$150 billion which, together with the stock markets included in the Committee's indicator, constitutes about 80 percent of global stock market value. In total, 13 new markets were examined.

The Market Operations Department examined possible compositions of the allocation among stock markets within the allowed risk profile. The Market Operations Department recommended markets in which investment would constitute a higher industry diversification than the current diversification, in which the expected return is higher than the level of risk, and in which the level of tradability and liquidity are high, given the expected volume of investment.

The Department recommended to invest 0.5 percent in the stock market in Switzerland, and to also examine investment in stock markets in Canada and Australia as part of the annual asset allocation for 2017.

Decision of the Monetary Committee:

The Committee approved the Market Operations Department's recommendations to invest 0.5 percent in the stock market in Switzerland. Two of the Committee members supported the decision and two abstained because they believed it would be best to make a decision on expanding the investment portfolio as part of the strategic discussion held yearly by the Committee.

The Committee unanimously approved the Market Operations Department's recommendation to also examine investment in the stock markets in Canada and Australia as part of the annual asset allocation for 2017.

Participants in the discussion:

Members of the Monetary Committee

Dr. Karnit Flug, Governor of the Bank of Israel, and Chairperson

Dr. Nadine Baudot-Trajtenberg, Deputy Governor of the Bank of Israel

Prof. Reuben Gronau

Prof. Nathan Sussman, Director of the Research Department

Other participants in the discussion:

Andrew Abir, Director of the Market Operations Department (on May 22)

Dr. Golan Benita, Head of the Strategic Management Unit, Market Operations Department

Francoise Ben-Zur, Head of the Financial Division, Market Operations Department

Tal Biber, Head of the Markets Division, Market Operations Department

Daniel Hahiashvili, Chief of Staff to the Governor

Daniel Hofbauer, Economist, Market Operations Department (on May 22)

Avi Moshayev – Economist, Market Operations Department (on May 22)

Esti Schwartz, Secretary of the Monetary Committee and the Supervisory Council (on May 22).

Ilan Socianu, Assistant to the Secretary of the Monetary Committee and the Supervisory Council (on June 7)

Yoav Soffer, Bank of Israel Spokesperson (on May 22)

Mark Yohai, Economist, Market Operations Department (on May 22)