



December 18, 2021

Minutes of the Telbor Committee meeting held on December 13, 2021

Committee members present: Mimi Regev, Bank of Israel Markets Department (Committee Chairperson)
Eyal Klein, Representative of ACI Israel (Forex)
Ketty Cohen, Bank of Israel Markets Department

Other participants: Ran Abraham, Mizrahi-Tefahot Bank
Yossi Cuomo, Bank Hapoalim
Heli Siman Tov, Bank Hapoalim
Zach Sharon, Bank Leumi
Ian Klotnick, Israel Discount Bank
Rami Ogdan, First International Bank of Israel
Tsila Billet Blank, BOI Markets Department

The issues that were discussed:

1. The Bank of Israel presented the need, in the first stage, to complete the defining of the new interest rate. This is in view of the conversations that it held with Bloomberg and ISDA. In the first stage, the new interest rate definition should be discussed with the banks having to formulate an opinion regarding the desired conventions in all the various parameters.
2. The features of the new interest rate: The Committee was presented with proposals for the specifications of the interest rate. It was agreed that the characterization of the new interest rate as the Bank of Israel interest rate will be appropriate and simpler from an operational aspect.
3. Characterizing the various parameters: Certain fields were presented as an example, which will have to be changed due to the interest rate being calculated on average in arrears. It was proposed and agreed upon by the banks to choose a convention similar to what is generally accepted in SOFR, with required changes, as the basis for most transactions is dollars. It was agreed that after the meeting the participants would be sent a table of parameters in order for each bank to fill in its preferences with the goal of reaching a proposal that will be accepted by all by the end of the month.
4. The Interest Rate Law: One of the banks noted that the applicability of the new interest rate should be examined with regard to the Interest Rate Law, 5717-1957, according to which, apparently, there is a limitation on compound interest rate transactions under 3 months. It was agreed that Bank of Israel representatives will examine this from a legal perspective.
5. Reference to spread: Conversations held by the Bank of Israel indicate that the spread is not included in calculating the average, but rather is added on afterward. Banks submitted that the reference to that should be received in a detailed formulation that will be compiled.

6. Calendar: It appears that even with the new interest rate, the Bank of Israel will have to continue to publish the calendar that is relevant to Telbor.
7. Timeframes: One of the banks noted that shifting SOFR transactions is expected to be finished only at the end of the second half of 2023, in accordance with the timetables established by the ARRC, and therefore from the perspective of human resources, it would not be right to end the shifting of Telbor transactions before that date. Therefore there is logic to establishing the time tables accordingly.
8. The published interest rate: The Bank of Israel noted that it is accepted worldwide to publish, in addition to the calculated daily interest rate, also the average interest rate and/or index. The banks noted that in their opinion, it is worthwhile that the Bank also publishes the average interest for 3 months.
9. The Bank of Israel presented that New Zealand as well has begun to publish a risk-free interest rate, based on the central bank interest rate.
10. In conclusion, the Bank of Israel noted that the goal is to reach a final proposal with the detailed definition of the new interest rate that will be brought to the Committee for its decision. This decision is important so that the Bank will be able to advance with the steps required vis-à-vis the ISDA and the LCH as well.

Decisions reached at this meeting:

No decisions were reached at this meeting.