



January 25, 2015

### Minutes of the Telbor Committee meeting held on December 29, 2014

**Committee members:** Zahi Elias (banks' representative), Sharon Lavi (Tel Aviv Stock Exchange), Ketty Cohen (Bank of Israel Market Operations Department), and Roy Stein (Bank of Israel Research Department – Committee Chairperson)

**Other participants:** Liran Carmel, Michal Rot-Levy, and Yossi Cuomo (Bank Hapoalim), Guy Fischer (Bank Leumi), Ran Abraham (Mizrachi-Tefahot Bank), Liraz Refaely (First International Bank), and Dan Trister and Ian Klotnick (Discount Bank)

Whereas around the world, principles for activity related to anchor interest rate quotes are being formulated, and as the banks' representatives agreed to adopt these principles in the Telbor market, Committee members formulated an initial proposal for rules of conduct for Telbor interest rate quotes. In the current meeting, Committee members presented the proposal to the contributor banks' representatives. The following are the main points that arose in the discussion:

- It is important to adopt the rules set around the world, but to adapt them to the unique features of the market in Israel.
- It should be taken into account that the Telbor market is completely different than other benchmark rate markets, as the fixing rates are based mostly on derivatives trading and not on interbank loans.
- It should be taken into account that the Telbor market differs from other benchmark rate markets in another way as well: the quotes used to fix the Telbor rate are provided by market makers who are committed to execute transactions based on the quotes in a window of time around the Telbor fixing (between 11:00 and 12:00); in other benchmark rate markets there is no such obligation.
- It is important to clarify: the contributor bank can change its quotes in accordance with its exposures, but only on the condition that together with the changes there is transaction volume that correlates with the size of the change and with the extent of the bank's exposure. The transactions based on such exposures are to be carried out over the course of the same business day, and under no circumstances only at the time of the Telbor fixing.
- It should be confirmed that the connection between employees' compensation and the profitability of the bank in its Telbor market activity exists while adhering closely to rules of compliance and conduct (similar to the situation in other areas of a bank).

It was decided that the Telbor Committee will integrate all the comments that arose in the discussion into the initial proposal, and then submit it to the Supervisor of Banks and recommend its adoption. This step is an important component in the process of the Telbor market's establishment, and lays the groundwork for its continued development.