



Forex Israel



Tel Aviv Stock Exchange



Bank of Israel

July 21, 2013

Minutes of the Telbor Committee meeting held on July 10, 2013

Present

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 and Committee Chairperson)

Guests: Liran Carmel and Michal Rot-Levi (Bank Hapoalim), Guy Fischer (Bank Leumi), Ian Klotnick (Discount Bank), and Ran Abraham (Mizrahi Bank)

Following are the issues discussed:

1. Committee members and bank representatives thanked Harel Cordova for his major contribution as banks' representative on the Telbor committee since February 2008. His contribution to the development of the Telbor market was considerable and important. The participants wished Zahi Elias, Forex Israel Chairman and Bank Leumi representative, much success in his new position as Harel's replacement.
2. Roy Stein updated the participants regarding regulatory developments in Israel and around the world in the area of interest rate quotes that serve as benchmark rates. Following this, the participants discussed how to enhance the credibility and transparency of the Telbor market. The main suggestions discussed were:
 - Increasing activity in three-month OIS transactions, which serve as an anchor interest rate for the entire interest rate curve. Some of the committee members emphasized that, contrary to the Bank of Israel's opinion, market liquidity is not necessarily determined only by the volume of transactions, but also—and perhaps mainly—by the bid-ask spread. The spread that is prevalent in the market (which is reflected on brokers' screens on the Bloomberg system) is currently very low and indicates a high level of liquidity in the Telbor market.
 - To establish a trading platform among the contributor banks that will fully and clearly reflect the contributor banks' commitment. As a result, even if there is no actual transaction, the interest rate that will be set will be based on the actual possibility of trading at those interest rates.
 - To allow a regulatory representative to conduct transactions with the contributor banks within the framework of the commitment. In that way, it will be possible to ensure the credibility of the Telbor market even on days when there are few transactions between the contributor banks. While this suggestion would strengthen

the credibility of the Telbor market, it must be examined in depth from a legal standpoint.

3. Other issues discussed at the meeting, and decisions reached:

- Technical malfunctions in transmitting quotes from the contributor banks to the Reuters system. In view of these malfunctions, the following work procedure was set forth:
 - Each contributor bank must ascertain the proper working order of the system and communications by 10:30, and report on any malfunction no later than 11:00 in the morning.
 - In a case where a technical malfunction occurs between 11:00 and 11:30 and/or later than 12:00, notice of the malfunction must be sent to Reuters and to Committee representatives.
 - In a case where a technical malfunction occurs between 11:30 and 12:00, notice of the malfunction must be sent to Reuters representatives, Committee representatives, and all representatives of the contributor banks, together with a note of the interest rate that the bank wishes to quote. In such a case, the Telbor rate for that time period will be published automatically only if the Reuters system managed to receive the amended quote from the bank (through either an automated or a manual method). Should the quote not be amended before the data sample time, the Telbor rate will be calculated and published late for that day, based on the amended quote (that the contributor bank reported in its notice).

The distribution list, including email addresses and phone numbers, appears in the appendix to these minutes.

- Adding a third digit after the decimal point in the bank quotes and the Telbor rate. It is very important to add the third digit, even if only in order to increase the flexibility in pricing FRA transactions. Therefore, all contributor banks must confirm that they have the technical capability to quote interest rates with three digits after the decimal point. Once it is clear that all of the contributor banks have such capability, Committee representatives will submit a proper request to the Reuters representatives regarding the need for this technical change. Committee members expect to receive responses from the representatives of the contributor banks regarding the technical capability by the end of July.
- Reducing the spread in binding transactions. All participants in the meeting agreed in principle to reduce the spread to ± 3 basis points. A decision on this issue will be made at the next committee meeting.

Appendix

Distribution List

Organization	Email address	Phone number
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