

2023

Highlights of the Bank of Israel work plan for 2023



Contents

Foreword by the Governor and the Supervisory Council Chairman	3
The Foundations of the Work Plan	4
Highlights of the Bank of Israel Work Plan for 2023	6
Adjusting monetary policy to the changing environment	6
Strengthening the financial system and the Israeli economy's resilience to crises	6
Consistently advancing research on the Israeli and global economies	7
Broadening the abilities to collect and extract economic data and research, and making it accessible to researchers and decision makers	7
Promoting financial infrastructures and digital means of payment in Israel's economy	8
Encouraging competition and innovation in the financial system	9
Protecting customers' rights, improving their negotiating position, and reducing information gaps	9
Increasing the accessibility of financial services to all citizens (financial inclusion)	10
Tightening the Bank of Israel's connection with the public, in line with the various target population groups	10
Enhancing the collaboration with international institutions and with central banks and regulators abroad	10
Managing the State's foreign exchange reserves	10
Implementing the Citizens of Israel Fund Law, 5774-2014	11
Aligning the Bank with the changing environment	11

Foreword by the Governor and the Supervisory Council Chairman

The Bank of Israel's Supervisory Council herewith publishes the main provisions of the Bank of Israel work plan for 2023, in accordance with Section 20(b) of the Bank of Israel Law, 5770-2010.

The Bank of Israel's work plan for 2023 was formulated with the goal of leading the Bank to the optimal execution of its mission and mandate as set in the Law, to the promotion of the Bank's values, and to the realization of the vision to be an advanced central bank that contributes to Israel's prosperity and the welfare of its citizens.

The work plan for 2023 combines steps to promote the strategic targets of the Bank for coming years with steps to provide a response to the specific challenges facing Israel's economy, in line with developments, changes and risks in the global and Israeli economies. This plan also includes extensive activity in numerous areas in accordance with the Bank's statutory functions, including management of the foreign exchange reserves and preparation for managing the assets of the Citizens of Israel Fund.

The Bank of Israel will continue to contribute to the prosperity of the Israeli economy, while supporting stability and encouraging competition, innovation, and customer service in the financial system. In addition, the Bank of Israel will promote innovation, flexibility and quick responses, initiative, openness, and a culture of collaboration.

We would like to thank the employees who contributed to the preparation of the work plan, the Bank's employees, and the members of the Monetary Committee and Supervisory Council, who work each day to fulfill the Bank of Israel's functions and achieve its objectives.



Prof. Amir Yaron,
Governor of the Bank of
Israel

Prof. Joshua (Shuki) Shemer,
Supervisory Council
Chairman

Sincerely,

Prof. Amir Yaron,
Governor of the Bank of Israel

Prof. Joshua (Shuki) Shemer,
Supervisory Council Chairman

The Foundations of the Work Plan

The work plan for 2023 was formulated with the goal of leading the Bank to optimally executing its mission and mandate in accordance with the Law, to promoting the Bank's values, to realizing the Bank's vision, and to advancing the Bank's strategy in the coming years.

Mission

- To maintain price stability, as its central goal;
- To support other objectives of the Government's economic policy, especially growth, employment and reducing social gaps, provided that, in the Monetary Committee's opinion, this support shall not prejudice the attainment of price stability over the course of time;
- To support the stability and orderly activity of the financial system.

Mandate

- **Managing** monetary policy;
- **Holding** and managing the foreign exchange reserves of the State;
- **Supporting** the orderly activity of the foreign exchange market in Israel;
- **Acting** as banker of the Government;
- **Regulating** the economy's payment and settlement systems, to ensure their efficiency and stability;
- **Issuing** currency and regulating and guiding the cash system of the economy;
- **Carrying out** the supervision and regulation of the banking system;
- **The Governor serves** as advisor to the government on economic matters, including with regard to reducing social gaps and decreasing inequality in the income distribution in society;
- **Establishing and managing** the Credit Data System and carrying out the oversight and regulation of the Credit Data System;
- **Managing** the assets of the Citizens of Israel Fund (the Fund for the Administration of State Revenues from the Petroleum Profits Levy).

Vision

To be an advanced central bank that contributes to Israel's prosperity and the welfare of its citizens.

Values

National welfare, Partnership, Professionalism, Integrity, Fairness and Respect for the individual.

Strategic targets

- Adjusting monetary policy to the changing environment;
- Strengthening the financial system and the Israeli economy's resilience to crises;
- Consistently advancing research on the Israeli and global economies;
- Broadening the abilities to collect and extract economic data and research, and making it accessible to researchers and decision makers;
- Promoting financial infrastructures and digital means of payment in Israel's economy;
- Encouraging competition and innovation in the financial system;
- Protecting customers' rights, improving their negotiating position, and reducing information gaps;
- Increasing the accessibility of financial services to all citizens (financial inclusion) ;
- Tightening the Bank of Israel's connection with the public, in line with the various target population groups;
- Enhancing the collaboration with international institutions and with central banks and regulators abroad;
- Managing the State's foreign exchange reserves;
- Implementing the Citizens of Israel Fund Law, 5774-2014;
- Aligning the Bank with the changing environment.

Highlights of the Bank of Israel Work Plan for 2023

The Bank of Israel's Work Plan for 2023 is derived from the mission and mandate defined in law, and incorporates steps for promoting the Bank's strategic targets for the coming years, and to provide a response to the specific challenges facing the economy.

Adjusting monetary policy to the changing environment

- Examining the inflation target regime in Israel;
- Broadening the structural macroeconomic models;
- Improving the statistical models for forecasting inflation;
- Continuing to study the monetary tools available to the Bank in routine times and during crises;
- Analyzing the connections between the labor market and inflation.

Strengthening the financial system and the Israeli economy's resilience to crises

- Maintaining the stability and functional continuity of the banking system, the payments system, and the cash system;
- Implementing the Basel IV directives in order to align the regulation with international yardsticks regarding banking issues;
- Formulating supervisory methodologies for assessing risks of the credit card companies;
- Aligning the work processes at the Banking Supervision Department to the developing challenges with a forward-looking view;
- Implementing the "Regulation Principles Law, 5782-2021" in accordance with the government's decision;¹
- Promoting regulation of climate risks and model risks in the banking system;
- Strengthening the interfaces with the national protection envelope (the "National Cyber Directorate" and the "Finance Cyber and Continuity Center" in the Ministry of Finance);
- Research on the financial system and its stability and the formulation of tools for maintaining the financial stability and resilience to crises;

¹ Regulatory Impact Assessment.

- Concentrating the work of the Financial Stability Committee;
- Advising the government on strengthening the automatic stabilizers;
- Ensuring cash services in routine times and during crises and preparation for shifts and changes expected in the area of means of payment;
- Continuing to support the establishment of the government company “Correspondence Services, Ltd.) and preparation to supervise it.

Consistently advancing research on the Israeli and global economies

- Promoting macroeconomic research at international standards;
- Providing economic advice to the government in the area of fiscal policy and its impact on the economy, including in the area of education, high tech, and physical infrastructures in the economy;
- Formulating recommendations for economic policy via research in the areas of economic growth, the labor market, welfare policy—including a work grant, health, education, and nursing care; the social impact of the COVID-19 crisis in the medium term, policy for the development of Arab society, and promoting quality employment in the ultra-Orthodox society.

Broadening the abilities to collect and extract economic data and research, and making it accessible to researchers and decision makers

- Improving the public’s access to data, products, and periodical publications, including on the Bank of Israel’s website;
- Advancing steps to leverage the information existing in the Bank;
- Developing statistical models for forecasting economic indicators based on nontraditional data, in order to make an assessment of the future economic situation in Israel;
- Developing rapid indicators for analysis of economic activity in emergencies;
- Integrating tools for analysis of big data;
- Promoting an inclusive and integrative system and approach for collecting and managing data at the Bank of Israel.

Promoting financial infrastructures and digital means of payment in Israel's economy

- Formulating policy recommendations for advancing means of payment in Israel;
- Analyzing and preparing for the effect of new technologies on the economy;
- Preparing to exercise the Bank of Israel's authorities on controlled payment systems, in accordance with globally accepted standards;
- Adjusting the "Payment Systems Law, 5768-2008" to the PFMI (Principles for Financial Market Infrastructures) principles;
- Preparing to align the payment systems with the international standard (ISO 20022);
- Taking steps to apply the PFMI principles on the rules regulating the use of means of payment, in accordance with what is accepted worldwide;
- Encouraging the use of immediate payments in Israel;
- Preparation for expanding the ID code of payment service providers;
- Participating in the establishment of a central financial identity infrastructure in Israel (KYC—Know Your Customer), in collaboration with various government entities (Digital Israel, Ministry of the Interior, the Ministry of Justice, the Israel Money Laundering and Terror Financing Prohibition Authority, and others);
- Examining the preparedness for creating a digital check as a new means of payment in the economy;
- Preparing for the development of cross-border payments;
- Promoting a REPO market (REPO is a tool for the short-term credit market) in Israel, in collaboration with the Accountant General at the Ministry of Finance, in order to enable relevant financial entities to receive immediate liquidity in exchange for collateral, without needing to realize assets;
- The reform of cancelling the Telbor interest rate and establishing the SHIR (Shekel overnight Interest Rate) interest rate;
- Promoting the Securitization Law to develop the securitization market in Israel;
- Formulating a proposal for a regulation framework related to crypto-assets, its significance to the payment system, to financial stability, and its monetary significance, in accordance with what occurs abroad;
- Building an action plan for the possible issuance of a Bank of Israel digital shekel.

Encouraging competition and innovation in the financial system

- Promoting the opening of controlled payment systems to nonbank entities and to financial technology (fintech) companies;
- Opening access to the Zahav system to additional payment systems;
- Accompanying the establishment of a central clearing interface in the automated bank machines system, ATM, operated by Shva;
- Concentrating the monitoring of the implementation of Enhancing Competition and Reducing Concentration in the Banking Sector in Israel Law, 5777-2017, in collaboration with the Ministry of Finance;
- Operating the national Credit Data System in accordance with the Credit Providers Law, 5776-2016;
- Preparing for the establishment of a credit data system for corporations, with an emphasis on enhancing competition in the credit market for small and medium businesses;
- Examining license requests for new banks and merchant acquirers;
- Continuing to promote the “Open Banking” project;
- Leading processes in the banking system and promoting regulation that supports innovative and developing banking;
- Promoting payment initiation.

Protecting customers’ rights, improving their negotiating position, and reducing information gaps

- Protecting banking system customers, via appropriate regulation and enforcement; as well as adopting international regulation principles in the area of fairness and consumer protection;
- Improving and strengthening a banking corporation Fairness Index;
- Encouraging the banking corporations to adopt activities that contribute to society (“Impact Banking”);
- Changing the Checks without Cover Law-5741-1981—switching from a restriction mechanism to a notification mechanism;
- Promoting transparency in interest rates that are charged on credit and mortgages and that are paid on deposits;
- Updating the collection mechanism for basic current account fees;
- Examining the Bank of Israel’s policy regarding fees through international comparison;
- Adjusting the Banking Supervision Department’s policy regarding branches to processes of increasing efficiency and digitalization that apply to the banking system;

- Strengthening financial public awareness and customer rights with regard to financial obligation and the use of the credit data system, including designated public awareness for Arab society and the ultra-Orthodox society;
- Regulating and supervising the credit rating models of credit bureaus;
- Supervision and control of credit data system users and information sources, including on issues of data security and protection of individuals' privacy.

Increasing the accessibility of financial services to all citizens (financial inclusion)

- Analyzing and enhancing financial inclusion—incorporating and implementing the recommendations of the joint team to enhance financial inclusion.

Tightening the Bank of Israel's connection with the public, in line with the various target population groups

- Enhancing the outreach to the public about the Bank's policy and activities; via publications, events, and Internet and digital platforms;
- Strengthening and tightening the connection with various communities among the public through events, conferences, and formulating designated forums for stakeholders;
- Enhancing the transparency and accessibility of information on the Bank of Israel website and via other digital channels;
- Promoting public information to various population groups;

Enhancing the collaboration with international institutions and with central banks and regulators abroad

- Tightening collaboration and coordination with central banks and international financial institutions;
- Establishing a domestic Foreign Exchange Committee within the framework of Israel's membership in the GFXC (Global FX Committee);
- Projects regarding central bank digital currencies worldwide in collaboration with the BIS and other central banks;

Managing the State's foreign exchange reserves

- Continuing to align the investment policy of the reserves with developments in the global economy and the level of the reserves.
- Examining investment in new assets to improving the risk-return ratio.

Implementing the Citizens of Israel Fund Law, 5774-2014

- Beginning the activity of the new Department to manage the assets of the Citizens of Israel Fund, in coordination with the relevant functions: the Fund's institutions that will be established, the Ministry of Finance, the Israel Tax Authority, and other financial entities.

Aligning the Bank with the changing environment

- Increasing operational efficiency, reducing internal bureaucracy, and integrating results-based management;
- Aligning work processes with operational and business targets of the Bank's departments;
- Promoting an organizational culture of collaboration and innovation;
- Boosting the importance and development of the employee;
- Enhancing the diversity at the Bank;
- Promoting a digital culture and work space;
- Advancing, developing, and upgrading the Bank's computer infrastructure;
- Encouraging internal sustainability;
- Strengthening the risk management culture in the Bank;
- Forward-looking preparation while examining the Bank's various resources and infrastructures required for the Bank's ongoing and proper management;
- Preparing for cyber threats and crises, alongside the expansion of the Bank's readiness for dealing with emergency and crisis incidents.

© Bank of Israel

Passages may be cited provided the source is specified.

Edited by the Director General's Office—the Strategic Planning and Budget Management Unit.

www.bankisrael.org.il