



December 24, 2017

Minutes of the Telbor Committee meeting held on December 5, 2017

Committee members present:

Roy Stein, Bank of Israel Research Department (Committee Chairperson)
Zahi Elias, President of ACI Israel (Forex)
Sharon Lavi, Tel Aviv Stock Exchange
Ketty Cohen, Bank of Israel Market Operations Department

Other participants:

Shuki Hay, First International Bank of Israel
Idit Moskovich, First International Bank
Ran Abraham, Mizrahi-Tefahot Bank
Michal Rot-Levy, Bank Hapoalim
Zach Sharon, Bank Leumi
Ian Klotnick, Israel Discount Bank

The issues that were discussed:

1. Two representatives from the Bank of Israel Information and Statistics Department—Amir Khatib and Liran Kalif—presented to the participants the contributor banks' total transactions executed, by customer sector. They also presented composite data on foreign banks that began reporting within the new reporting framework. Appendix 1 presents total transactions executed by all the contributor banks, by customer sector, from a longer term perspective. Following are the main findings:
 - 1.1 Contributor banks' transaction volume vis-à-vis foreign entities did not contract in recent months, and compared with the second half of 2016 it even increased slightly.
 - 1.2 It appears that the foreign entities that began reporting to the Bank of Israel are transacting with other foreign entities more than with domestic banks. This finding indicates that there is considerable activity in interest rate derivatives among foreign entities, but that its full extent is still unknown. It is expected that the Committee will be able to examine the reported aggregate data in closer detail during the course of the first quarter of 2018, as the project to expand the information is expected to conclude then.
 - 1.3 The existing data do not reflect the decline that occurred at foreign banks in interest rate contract transaction volume as a result of global regulation. This regulation has already gone into effect, and increases the cost of activity in interest rate contracts so long as the transactions are not cleared in a qualified central clearing house.
 - 1.4 It is likely that against the background of the increase in uncertainty regarding the development of interest rates at central banks worldwide, the volume of interest rate

derivative transactions grew in many countries that clear their transactions at a qualified central clearing house, while transaction volume in Telbor derivatives did not increase as those transactions are not cleared at such clearing houses.

2. Ketty Cohen and Roy Stein spoke with brokerage firm TFS. Company representatives claimed that transaction volume in interest rate derivatives increased in all cases where the interest rate contracts are denominated in currencies cleared at central clearing houses, compared with the volume of transactions in contracts denominated in currencies, such as the shekel, that are not cleared in such clearing houses.
3. The Committee set the dates in 2018 on which the Telbor interest rate will not be fixed, based on the rule formulated for such determination. The dates are presented in Appendix 2.
4. The Committee formulated the guidelines for fixing the interest rate in cases where there are few quotes, and a significant majority of the members accepted the guidelines, which follow:

If on a day when the interest rate is to be fixed, contributor banks acted in accordance with the procedure for submitting and distributing quotes, but nonetheless, fewer than five quotes were actually received, then after 15:00 the Committee members are to act in accordance with the following guidelines:

 - 4.1 In the cases discussed, the Telbor interest rate shall be fixed following a discussion (via telephone or email) among at least three Committee members (or their alternates). In a case where the Committee members are of the opinion that the quotes are sufficiently reliable despite the small number of quotes, the interest rate shall be fixed in accordance with the simple average.
 - 4.2 In a case where Committee members find that the quotes are not reliable (for any reason whatsoever), the interest rate shall be fixed at a rate identical to the previous day's. In such case, the Committee members shall publish their reasoning for concluding that the quotes are not reliable.
 - 4.3 In a case where no quote at all is received, the interest rate shall be fixed at a rate identical to the previous day's.
5. Decisions reached at this meeting:
 - 5.1 Representatives of the Bank of Israel's Information and Statistics Department were asked to also present on the Bank of Israel website the historical data on interest rate contract transactions, and not just the data for the preceding 12 months.
 - 5.2 Representatives of the Information and Statistics Department will approach the Bank for International Settlements (BIS) and request to receive IRS (interest rate swap) transaction data by currency. The Committee will thus be able to examine the differences in development of transaction volumes between cleared currencies and noncleared currencies.
 - 5.3 The Committee will continue to examine the concern that the transactions in interest rate contracts in Israel declined as a result of global regulation. If a decline is found, the Committee will endeavor to promote the clearing of shekel interest rate contracts on major clearing houses worldwide.
 - 5.4 The guidelines for fixing the interest rate in cases in which there are only a few quotes shall be added to the Rules and Definitions document 90 days from the decision date—March 5, 2018.

Appendix 1

Telbor derivative transactions executed by contributor banks, by sector

Value of underlying asset in NIS million

IRS	Nonresidents	Business	Business	Domestic	Institutional	Domestic	Households	Others	Total
		sector- nonfinancial	sector- financial	contributor banks	investors	banks			amount
01/10/2017	9,429	3245.25	656		30				13,360
01/09/2017	6,516	344.75	906	635	138	50			8,589
01/08/2017	10,734	3527	136	1,471	40	150			16,057
01/07/2017	12,365	2946.25	737	2,081	100	150			18,379
01/06/2017	10,186	3286	791	1,277	100	65			15,705
01/05/2017	11,170	2317	988	915	50	50		100	15,590
01/04/2017	10,503	2620	966	529	540	50			15,208
01/03/2017	12,512	3164	936	1,675	217				18,504
01/02/2017	7,344	582	167	644	216				8,953
01/01/2017	12,890	2349	2,028	1,378	130				18,775
01/12/2016	8,528	1547	3,064	330	1,428				14,897
01/11/2016	9,916	2674	523	661	411				14,185
01/10/2016	3794	531	67	451					4843
01/09/2016	5,612	473	2,109	192	193	50			8,629
01/08/2016	3369	540.9	452.72	300	100	30			4792.62
01/07/2016	6158.5	3190	2,243	855	180	100			12726.1
01/06/2016	7638.5	1421.475	1,365	859	200	50			11533.98
01/05/2016	9693	2392.3	4,098	772	137				17092.05
01/04/2016	3936.4	833.6	3,170	1,705	140				9784.528
01/03/2016	8361	673.13	2,100	700	1,030	50			12913.95
01/02/2016	6473.5	724.36	2,525	439	1,048	15		80	11304.39
01/01/2016	5771	727.84	2,675	420	56				9649.621
01/12/2015	11105	79.44	3,435	450	1,106	201			16376.21
01/11/2015	11772.3	728.6	5,829	701	442				19472.67
01/10/2015	7722	220.0175	3,184	115					11241.32
01/09/2015	4219	742.935	733	205	4				5903.385
01/08/2015	6818	370.145	2,231	643					10061.25
01/07/2015	13,517	225.825	2,996	2,011	300	25			19,074
01/06/2015	12,581	655.255	6,456	1,238		184			21,113
01/05/2015	10,039	68	3,163	783	200				14,253
01/04/2015	8,970	650	2,851	477	200				13,147
01/03/2015	9,100	398	411	1,250	494				11,653
01/02/2015	14,010	830	3,040	1,318	54	200			19,453
01/01/2015	14,068	1,414	5,462	839	350				22,132
01/12/2014	14,295	3,150	2,595	2,941	9				22,990
01/11/2014	6,711	1,009	401	1,084	33				9,238
01/10/2014	12,405	300	5,105	1,120	122				19,052
01/09/2014	15,162	383	3,413	3,647	125	36			22,766
01/08/2014	7,586	762	755	540					9,644
01/07/2014	22,202	650	7,210	1,671	781			138	32,651
01/06/2014	14,354	975	7,325	1,344					23,998
01/05/2014	12,481	2,330	5,267	2,390	425			70	22,962
01/04/2014	7,871	625	1,355	1,003	727	30			11,610
01/03/2014	15,560	1,005	5,979	1,899	1,403				25,846
01/02/2014	10,672	1,400	3,913	745	127	13			16,869
01/01/2014	12,494	475	1,665	1,630	5	79			16,348

CCS	Nonresidents	Business sector- nonfinancial	Business sector- financial	Domestic contributor banks	Institutional investors	Domestic banks	Households	Others	Total amount
01/10/2017	1,376								1,376
01/09/2017	912		71	136					1,119
01/08/2017	225			14		22		2	262
01/07/2017	882								882
01/06/2017	310			183	213	20			726
01/05/2017	1,612		45	65					1,722
01/04/2017	535	434							969
01/03/2017	748								748
01/02/2017	1,336		145						1,481
01/01/2017	2,218	189		91					2,501
01/12/2016	460	304		6				2	772
01/11/2016	875	1,481	290	142					2,788
01/10/2016	831	1,104							1,935
01/09/2016	1,102	1	505	282		34		15	1,938
01/08/2016	56	865	123	1				27	1,072
01/07/2016	1,928	234	96			271			2,530
01/06/2016	5,036	1,194							6,231
01/05/2016									0
01/04/2016	505	0	142						647
01/03/2016	782	684							1,465
01/02/2016	1,956	245		1,400		44			3,645
01/01/2016	354	357	148			1			860
01/12/2015	195	69							264
01/11/2015	244	40		70		29			383
01/10/2015	343								343
01/09/2015	148	192							340
01/08/2015	205		119			62			387
01/07/2015	142								142
01/06/2015	520		71	711					1,303
01/05/2015	311	101	251						664
01/04/2015	143	199							342
01/03/2015	3,054	716		564					4,334
01/02/2015	416	39		223		22			700
01/01/2015	1,124	317	171	10		90			1,711
01/12/2014	3,393	1,184	98						4,676
01/11/2014	630	457	498	168					1,753
01/10/2014	463	19	459	284					1,224
01/09/2014	82	470	345	254		313			1,464
01/08/2014	287	19	113						418
01/07/2014	54	566	9						630
01/06/2014	172		215	167		129			683
01/05/2014	133	152	414	241	13				953
01/04/2014	87	101	43						232
01/03/2014						48			48
01/02/2014	362	1,082	111			108			1,663
01/01/2014	456	177	1,124	499		120			2,377

OIS	Nonresidents	Business sector- nonfinancial	Business sector- financial	Domestic contributor banks	Institutional investors	Domestic banks	Households	Others	Total amount
	01/10/2017	250			4				
01/09/2017	100								100
01/08/2017	100	173	100	650					1,023
01/07/2017		143	300		50				493
01/06/2017	250	135	225	100					710
01/05/2017		70	415	200					685
01/04/2017	800	95	270	200					1,365
01/03/2017	770	87	500	50					1,407
01/02/2017	150		670	307	25	150			1,302
01/01/2017	50		51	125				115	341
01/12/2016	100		100	200					400
01/11/2016	600								600
01/10/2016									
01/09/2016		619	75						694
01/08/2016	250			200					450
01/07/2016	150			200	100				450
01/06/2016	750		50	17					817
01/05/2016		1,834	9	50					1,893
01/04/2016			2						2
01/03/2016	61								61
01/02/2016	520		37						557
01/01/2016			382						382
01/12/2015			162						162
01/11/2015			202						202
01/10/2015			103	100					203
01/09/2015			406						406
01/08/2015	756		6	70					832
01/07/2015	800		50						850
01/06/2015	410								410
01/05/2015	1,400		50						1,450
01/04/2015			75						75
01/03/2015	1,750		50						1,800
01/02/2015	2,150								2,150
01/01/2015			90						90
01/12/2014	516		300						816
01/11/2014	1,600								1,600
01/10/2014					1,400				1,400
01/09/2014	500		500		1,828				2,828
01/07/2014					1,100				1,100
01/06/2014					100				100
01/05/2014			2,000		50				2,050
01/03/2014	2,700		100		1,050				3,850
01/02/2014	1,675		1,250		20				2,945
01/01/2014	500				2,400				2,900

FRA	Nonresidents	Business sector- nonfinancial	Business sector- financial	Domestic contributor banks	Institutional investors	Domestic banks	Households	Others	Total amount
10/2017	1,000								1,000
09/2017	7,600								7,600
08/2017	100			100					200
07/2017	800								800
06/2017	1,500								1,500
05/2017	100			100					200
04/2017	100			100					200
03/2017	5,200			200					5,400
02/2017	800								800
01/2017	3,600			100					3,700
12/2016	2,400			200					2,600
11/2016	4,000								4,000
10/2016	100			100					200
09/2016									
07/2016	2,350			400					2,750
06/2016	1,600			100					1,700
05/2016	9,900								9,900
04/2016	4,900								4,900
03/2016	6,000								6,000
02/2016	7,000			1,500					8,500
01/2016	6,200	500		250					6,950
12/2015	5,700	3,600		100					9,400
11/2015	7,000	1,000		100					8,100
10/2015	5,750	1,000							6,750
09/2015	2,000	500							2,500
08/2015	2,750								2,750
07/2015	2,900	1,000							3,900
06/2015	4,300		300	400					5,000
05/2015	9,000		1,200	400					10,600
04/2015	9,700		900	300					10,900
03/2015	5,000			200					5,200
02/2015	1,800			100			20		1,920
01/2015	3,500								3,500
12/2014	2,400			200					2,600
11/2014	5,750								5,750
10/2014	9,717		117	700					10,534
09/2014	6,633		133						6,767
08/2014	9,310		110						9,420
07/2014	12,068		3,968				10		16,046
06/2014	22,195		8,545	800					31,540
05/2014	19,993		3,043						23,036
04/2014	9,151		31						9,182
03/2014	13,253		9,813						23,066
02/2014	18,052		11,802	3,400					33,255
01/2014	25,502		2,002	1,600					29,104

Appendix 2

Dates in 2018 on which the Telbor rate will not be fixed, in addition to Saturdays and Sundays

Date	Month	Day of week	Observance
1	January	Monday	Holiday abroad
1	March	Thursday	Purim (outside of Jerusalem)
2	March	Friday	Purim (in of Jerusalem)
30	March	Friday	Passover eve
2	April	Monday	Holiday abroad
6	April	Friday	Last day of Passover
19	April	Thursday	Independence Day
28	May	Monday	Holiday abroad
10	September	Monday	Rosh Hashanah (New Year) 1 st day
11	September	Tuesday	Rosh Hashanah (New Year) 2 nd day
18	September	Tuesday	Yom Kippur eve
19	September	Wednesday	Yom Kippur
24	September	Monday	Sukkot
1	October	Monday	Shmini Atzeret
25	December	Tuesday	Holiday abroad
26	December	Wednesday	Holiday abroad