



Report of the Monetary Committee discussion held at the Bank of Israel regarding Bank of Israel (Information from certain financial institutions regarding transactions in foreign currency derivatives, index derivatives, and interest rate derivatives) Order, 5776–2016 and Bank of Israel (Information regarding transactions in foreign currency derivatives, index derivatives, and interest rate derivatives) Order, 5776–2016

The discussion was held on September 9, 2021.

Background:

Section 39(a) of the Bank of Israel Law, 5770-2010, (hereinafter, “the Law”) authorizes the Governor of the Bank of Israel, with the approval of the Monetary Committee, to establish by an Order, reporting requirements that apply to financial entities, in order to attain its objectives and discharge its functions; and Section 39(b) of the Law authorizes the Governor, with the approval of the Monetary Committee, to establish by an Order that classes of persons determined in the Order, shall provide information, as detailed in the Order, that is necessary for following developments in the foreign exchange market in Israel.

Within this framework, in 2016 two new orders were issued. One is by power of Section 39(a) of the Law—Bank of Israel (Information from certain financial institutions regarding transactions in foreign currency derivatives, index derivatives, and interest rate derivatives) Order, 5776–2016 (hereinafter, the First Order)—which imposed reporting obligations for said transactions on financial institutions that are in essence Israeli residents in view of the definition of “Financial entity” in the Law, that fulfill the conditions listed in the First Order. The second order, by power of Section 39(b) of the Law—Bank of Israel (Information regarding transactions in foreign currency derivatives, index derivatives, and interest rate derivatives) Order, 5776–2016 (hereinafter, the Second Order)—imposed similar reporting obligations on nonresidents and on financial intermediaries on which the First Order does not apply and that fulfill the conditions listed in the Second Order.

According to these orders, a reporting obligation is imposed on all the banking corporations in Israel and on a financial entity and on whomever the Second Order applies that meet a threshold of \$15 million, on average, per day over the course of a year. The frequency of the report is daily, and the contents of the report include the details of the transactions executed on the previous day (in a time window of 24 hours) and a separate monthly report on the inventory of open transactions in foreign currency, index, and interest rate derivatives.

The data reported by power of the order assist considerably in effectively following the activity in the foreign exchange market and the market for interest rate and index derivatives, and for establishing Bank of Israel policy in the foreign exchange market.

The Monetary Committee was asked to approve an addendum to these orders, according to which the reporting entities will be required to supply data within the framework of the reporting order in real time as well, to the extent necessary.

In order to collect real-time information on large transactions that pass through the foreign exchange market or the foreign currency/interest rate/index derivatives market, the Markets Department will be able to contact the dealing rooms at the entities on which the orders apply, in order to receive information on the type of activity in the market, such as types of participants, the drivers behind the transactions, transaction sums, etc.

Major points raised in the discussion:

The information that will be received during the course of the trading day pursuant to a Bank of Israel requirement is necessary for the implementation of the monetary policy and the exchange rate policy of the Bank of Israel. This information will impact on the considerations in the decision making process regarding the type of activity that is most appropriate for intervention in the foreign exchange market on that day.

Monetary Committee decision:

The Committee members approved the addendum to Bank of Israel (Information from certain financial institutions regarding transactions in foreign currency derivatives, index derivatives, and interest rate derivatives) Order, 5776–2016.

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The decisions were reached unanimously.

Participants:

Members of the Monetary Committee

Prof. Amir Yaron, Governor of the Bank of Israel and Monetary Committee Chairperson

Mr. Andrew Abir, Deputy Governor of the Bank of Israel

Prof. Reuben Gronau

Prof. Moshe Hazan

Prof. Zvi Hercowitz

Prof. Michel Strawczynski

Other participants

Mr. Tal Biber, Head of Markets Division in Markets Department

Mr. Mickey Blank, Markets Department

Adv. Orna Vago, Deputy Head of the Legal Division

Mr. Liran Kalif, Information and Statistics Department

Mr. Arad May, Secretariat of the Monetary Committee and the Supervisory Council

Adv. Yehudit Sirkis Daren, Legal Division