

For the attention of: Dr. Karnit Flug, Governor Bank of Israel

CC: Mr. Daniel Hahashvili, Chief of Staff to the Governor, Bank of Israel

CC: Mr. Liran Kalif, Head of Foreign Exchange Unit, Statistics Division, Bank of Israel

Dear Dr. Flug,

The International Swaps and Derivatives Association (ISDA)ⁱ and the Global FX Division (GFXD) of the Global Financial Markets Association (GFMA)ⁱⁱ have been involved for many years in technical assistance regarding drafting of legislation relevant to derivatives in the Europe, the Middle East and Africa. In particular, ISDA has been involved with the Israeli derivatives industry for many years¹, and continues to monitor various legislative and regulatory initiatives in Israel that affect derivatives trading to inform and aid our membership.

In the area of derivative data and reporting, ISDA and GFXD have accumulated extensive experience in assisting their members in the implementation of reporting requirements in many different jurisdictions globally. Facilitating industry working groups focussed on derivative reporting requirements in a number of jurisdictions including, without limitation, the United States, Canada, Europe, Australia, Japan, Hong Kong, Singapore. Additionally, via ISDA's freely licensed Financial products Mark-up Language (FpML), created standard reporting messages for efficient implementation of such reporting regimes. ISDA and GFXD have consistently advocated for the harmonisation of global reporting requirements and in this regard are active participants in CPMI IOSCO's data harmonisation initiatives regarding Unique Trade Identifiers, Unique Product Identifiers and other Critical Data Elements as well as other industry initiatives.

Throughout 2016 and this year, ISDA and GFXD have been aiding their members in their analysis of the enhanced reporting requirements found in [Bank of Israel \(Information from certain financial institutions regarding transactions in foreign currency derivatives, index derivatives, and interest rate derivatives\) Order, 5776–2016 \(the "Final Order"\)](#). We have also been in contact with Bank of Israel staff at a number of junctures to seek clarity on details of the Final Order and technical points to aid implementation. We would like to commend your colleagues for their openness to having such discussions and their efforts to engage with us, to provide clarity where needed, and to address the industry's concerns about various aspects of the reporting regime.

Feedback from market participants has led us to an understanding that the threshold levels in the Final Order, under which firms would be exempt from reporting to the Bank of Israel, may be set at a relatively low level. The inclusion of spot market foreign exchange transactions including Israeli Shekel (ILS) has also had an impact on the number of entities which have been brought into scope for the reporting regime. Firstly, many entities which would not have been captured by the regime are brought into scope just by the inclusion of spot transactions. Secondly, the low threshold levels brought into scope legal entities whose aggregate impact on the Israeli Shekel (ILS) is minimal, and

¹ Between 2004 and 2006, for example, ISDA has been working with Israeli authorities in the context of the Law on Financial Arrangements which introduced provisions to safeguard financial contracts in insolvency. Subsequently, ISDA has published netting and collateral opinions covering Israel for the purposes of obtaining regulatory capital relief for financial institutions.

perhaps the Bank of Israel may consider whether the threshold could be increased without adversely impacting its ability to achieve its regulatory goals in respect of the Final Order's reporting regime.

Furthermore, ISDA and GFXD's members would like to note that the inclusion of spot transactions is unique among global regulatory reporting regimes. None of the regulatory reporting instituted to date in other jurisdictions in response to the 2009 G20 commitments re *Strengthening the International Financial Regulatory System* has included the reporting of spot transactions, but rather has focused on OTC derivatives which the Final Order also requires to be reported. Compliance with the reporting requirement for spot transactions has been proving challenging for members, and we would like to request that the Bank of Israel consider again whether it would be possible to exclude these from the reporting regime.

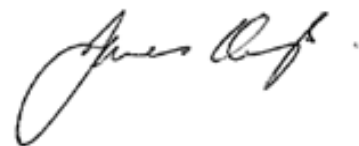
ISDA, GFXD and their members would be open to working with the Bank of Israel to find objective ways to more appropriately scope the reporting regime, so that the most relevant group of legal entities is required to report to the Bank of Israel. Options in this regard may be for ISDA and GFXD to facilitate a quantitative assessment via a subset of its membership to define a more appropriate threshold level, and/or to determine alternative channels for information on the volumes of spot transactions in ILS so as to remove spot transactions from the reporting requirements and threshold calculations.

We would welcome the opportunity to discuss these issues further at your earliest convenience, should you be willing to have a meeting or conference call.

Respectfully,



Steven Kennedy,
Global Head of Public Policy,
International Swaps and Derivatives
Association, Inc., ISDA.



James Kemp,
Managing Director,
Global Foreign Exchange Division, GFMA.

ⁱ Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 850 member institutions from 66 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's web site: www.isda.org.

ⁱⁱ The GFXD was formed in co-operation with the Association for Financial Markets in Europe (AFME), the Securities Industry and Financial Markets Association (SIFMA) and the Asia Securities Industry and Financial Markets Association (ASIFMA). Its members comprise 25 global foreign exchange (FX) market participants, collectively representing around 85% of the FX inter-dealer market. Both the GFXD and its members are committed to ensuring a robust, open and fair marketplace and welcome the opportunity for continued dialogue with global regulators.