

Ministry of Finance

**Spokesperson Unit**

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## **Press Release**

### **Finance Ministry Proposes Solution for Large Foreign-Currency Liquidity Balances in the Financial System: Financial Entities Will be Able to Deposit Foreign Currency with the Accountant General**

**The Accountant General plans to conduct auctions among financial entities for deposits of foreign-currency balances. The first auction, at a volume of about USD 250 million, will be held in early March.**

The Ministry of Finance has proposed an innovative solution to help the financial system contend with its high liquidity balances in foreign currency. Accountant General Shuky Oren plans to allow deposits of the domestic financial system's foreign-currency balances in designated deposits with the Accountant General. The deposits will be performed through several auctions held to set the interest rate generated by the deposits.

As part of this procedure, several auctions will be conducted among financial entities, from March to July of 2009. The first auction, to be held in early March, will be in the amount of USD 250 million. Deposit terms will range from 12 to 36 months, to be established before each auction, based on government debt management policy. In the first stage only dollars may be deposited, but the deposits may later be expanded to allow other foreign currencies. Entities permitted to participate in the auctions must be primary dealers in government bonds.

Financial entities in general and banks in particular are expected to express interest in the auctions, as these entities hold high liquidity balances in foreign currency. For banks in Israel unwilling to create credit exposure to banks overseas, or seeking to reduce such exposure due to the financial crisis, this type of deposit provides an alternative instrument for risk-free investment.

Ministry of Finance Accountant General Shuky Oren commented, "Beyond the fact that the tool we have launched can aid the financial system, the deposits will also serve as an alternative financing source for the government, in addition to bond offerings in shekels. Thus, the deposits should also contribute to reducing pressure on the domestic bond market. It should be emphasized that this funding source is supplementary to the other foreign-currency funding sources routinely available to the government."

This step has been fully coordinated with the Bank of Israel.