

SMI Markets: Israel

Date: 02 Jun 2014

CMIRR Markets: Israel

CSDs: TASECH (Israel)

## TASECH to Implement Operational Changes

The Tel Aviv Stock Exchange Clearing House (TASECH) is planning to implement a series of changes to the clearing operational specifications as per suggestions raised during the Israeli Custodian Forum. The changes, listed below, aim to simplify the investigation process in cases where transactions are not matched, or have failed to settle.

1. TASECH will allow a settlement difference tolerance level of up to and including ILS 1.00 in the matching process for OTC trades. The settlement amount of the trade will be the amount reported by the seller.
2. TASECH is planning to introduce the option to indicate the counterparty's details (BUYR/SELL) in the Swift message sent for matching.
3. TASECH is considering using the opposite member's reference number in the MT548 matched Swift message sent to both parties. At the moment, TASECH uses the market reference.

Items two and three listed above are in a preliminary stage. The changes are expected to be implemented on 14 July 2014.

## Market Information Impact

### Israel

This information affects the data contained in the Settlement sections of the Securities Market Information Service.

## Infrastructure Risk Ratings Impact

### Israel

Market Rating: A

Market Flash Impact: Stable

Impacted Risk Type: Liquidity Risk

Current Rating = A

Flash Impact = Stable

These set of changes are aimed at reducing TASECH's unmatched rate (i.e. the proportion of transactions that cannot be settled due to discrepancies in the confirmation details) in the over-the-counter segment.

However, the effectiveness of some of these rules may be limited and thus the degree of Liquidity Risk in TASECH is unlikely to change (matching is a key risk factor of Liquidity Risk). In particular, the use of tolerance criteria of ILS 1.00 may not be sufficient. In Europe, many CSDs allow a tolerance of EUR 25, which would be equivalent to ILS 118. Accordingly, if discrepancies in the amount of the transaction logged in the participants' instructions are an issue in Israel, perhaps a higher degree of tolerance might be needed. Against this background we are leaving Liquidity Risk as 'stable'

## CSD Risk Impact

### TASECH (Israel)

CSD Rating: A+

CSD Flash Impact: Stable

Impacted Risk Type: Liquidity Risk

Current Rating = A+

Flash Impact = Stable

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However, the effectiveness of some of these rules may be limited and thus the degree of Liquidity Risk in TASECH is unlikely to change (matching is a key risk factor of Liquidity Risk). In particular, the use of tolerance criteria of ILS 1.00 may not be sufficient. In Europe, many CSDs allow a tolerance of EUR 25, which would be equivalent to ILS 118. Accordingly, if discrepancies in the amount of the transaction logged in the participants' instructions are an issue in Israel, perhaps a higher degree of tolerance might be needed. Against this background we are leaving Liquidity Risk as 'stable'

### For further information contact:

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