The Bank of Israel today introduces two new monetary instruments - purchases of government bonds and repo operations with financial institutions

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Following Monetary Policy Committee discussions yesterday and this morning, it decided that in light of the high volatility in the financial markets in the world and Israel, the Bank of Israel will from today operate additional tools in order to carry out its monetary policy.

The Bank of Israel will carry out open market operations and will purchase in the secondary market government bonds of various types and maturities in the necessary quantities needed to ensure the smooth functioning of the government bond market. In addition, the Bank of Israel will offer repo transactions to financial institutions with government bonds as collateral.

The aim of these measures is to moderate the abnormal volatility and to increase the liquidity in the financial markets where the various financial institutions, businesses and households are operating. In addition, these measures will enhance the effectiveness of the monetary policy - they will strengthen the transmission of the interest rate set by the Monetary Policy Committee into the longer maturities of the yield curve.

These tools join the set of tools which the Bank of Israel uses in order to achieve its goals: price stability, support of the economic policy of the government and financial system stability.

The Bank of Israel will continuously review its use of these tools and will adjust them when needed.