

Bank of Israel
Monetary Department

Tel Aviv, January 19, 2003
H-03-3-02-11

Auctions for Forward Sale of Treasury Bills¹

1. General

Treasury bills do not bear interest, are redeemed at face value only, and do not carry indexation differentials and interest.

Details about the characteristics of Treasury bills, the terms of the auction by which they are sold, the way the auction is performed, and listing of the Treasury bills on the Tel Aviv Stock Exchange are shown in our circular H-03-4-02-11.

The Bank of Israel uses multiple-price auctions (hereinafter: Auctions) to sell Treasury bills that are issued and delivered to successful bidders several months after the Auction, on a date determined in a circular issued before each individual Auction (hereinafter: the Auction Circular).

The Auction is held for the effective yield to maturity in annual terms (hereinafter: the Yield). The manner in which the Yield is calculated is shown in the Appendix to our circular H-03-4-02-11.

Applications for the Auction (hereinafter: Applications) are accepted from banking corporations and members of the Tel Aviv Stock Exchange (hereinafter: the Stock Exchange). Corporations that are neither members of the Stock Exchange nor banks (hereinafter: Other Corporations) and private investors may participate in the Auction provided that the totality of their applications be no smaller than NIS 1 million face value. Other Corporations and private investors should contact the Sales Desk at the Capital Market Unit of the Bank of Israel Monetary Department (hereinafter: the Sales Desk) at least three business days before their first participation in a Treasury-bill auction, as a precondition for their participation in Treasury-bill auctions.

Applications to purchase Treasury bills are submitted to the Bank of Israel by means of the auction system of Sheba, Ltd. (5 Droyanov St., Tel Aviv, Tel. 9734-5264646), using the phrasing in Appendix A.

If for some technical reason the Sheba auction system cannot be used to submit the applications, they may be submitted on an application form phrased in the manner of the form shown in Appendix A (hereinafter: Application Form), for each series of Treasury bills separately, hand-delivered by a messenger or submitted by facsimile.

¹ Treasury bills are issued under the Treasury Bills Law, 5744-1984 (hereinafter: the Law) and the Treasury Bills (Miscellaneous Series) Regulations, 5752-1992 (hereinafter: the Regulations).

You may contact us for further explanations, including how to access the Sheba, Ltd., communication system, by telephone or email: Ms. Smadar Mrovka, Tel. 9723-5640729, mrovka@boi.gov.il, or Ms. Yaffa Alon, Tel. 9723-5640745, yafaalon@boi.gov.il

In any case of contradiction between the contents of this Circular and provisions of the Law and/or the Regulations, the provisions of the Law and/or the Regulations, as the case may be, shall prevail.

Performance Security

Successful bidders in the Auction shall deposit with the Bank of Israel, on the first banking business day after the Auction date, a sum in security for the performance of the transaction (hereinafter, the Security Margin), to be calculated as a percent of the face value of each series to which said bidders shall be entitled (0.5 percent for three-month Treasury bills, 2 percent for twelve-month Treasury bills). For applicants who have an account with the Bank of Israel, said account shall be credited for the Security Margin sum commensurate with the quantity to which the successful bid applies. By participating in the Auction, the applicant signals his consent to the crediting of his aforementioned account with the Bank of Israel. Other applicants shall transfer the Security Margin by means of a holder of an account with the Bank of Israel who consents to the crediting of his account on the "Undertaking and Account Crediting Instruction" form, shown in Appendix B of this Circular (also available at the Monetary Department Sales Desk) bank. The Security Margin sum, in its nominal value excluding all indexation differentials and/or interest, shall be refunded by the Bank of Israel to the successful bidder on the first banking business day after the date of clearing. If the successful bidder fails to honor his undertakings, the Security Margin shall not be refunded and shall remain with the Bank of Israel. The Bank of Israel also reserves the right to charge the successful bidder in the Auction such sums as are owed to it, and/or to bring claim against the successful bidder for these sums, and to suspend said bidder's participation in Bank of Israel auctions for forward delivery of Treasury bills.

3. Income Tax

The Bank of Israel calls applicants' attention to the Income Tax Reform.

Respectfully,

Gabi Fishman
Deputy Department Director

Appendix A**Application for Participation in Auction for Forward Sale of Treasury Bills**

Date: _____

Bank of Israel
 Monetary Department
 Sales Desk
 Tel Aviv

Re: Application for Purchase of Treasury Bills by Auction

Auction date: _____ Series no. _____ Series no. on Tel Aviv Stock
 Exchange _____
 Name of applicant _____ Holding no. with Bank of Israel _____
 Address: _____ Tel. _____ Fax _____

	Effective yield to maturity in annual terms (%) (in rising order)	Face value in NIS
1.		
2.		
3.		
4.		
5.		
6.		
7.		
Total		

Note: this form must be filled out clearly and properly. A line in which any detail is not filled in properly (effective annual yield, with two digits after the decimal point; face value in New Israel Sheqalim in multiples of NIS 100 face value) shall be disregarded for the purposes of this Auction.

Respectfully,

Name of Applicant _____

Signature and stamp of Applicant _____

Appendix B

To: Bank of Israel

Re: Undertaking and Account Crediting Instruction

We hereby give our consent to the crediting of our account, no. _____, recorded with yourselves, up to the sum of NIS _____ (hereinafter: the Limited Sum) in respect to your Auction no. _____ (hereinafter: the Auction)—in the sum of which you shall inform us, to be credited on account of the undertaking of _____ (hereinafter: the Customer), at the rate of ____% of the Customer's successful bid in your Auction for the forward sale of Treasury bills.

Our Undertaking herewith pertains to the aforementioned Auction, in which the Customer will tender a successful bid (if he does so), at the rate of ____% of the sum of the successful bid up to the limit of the Limited Sum.

We may inform you of the cancellation of this Instruction up to _____ hours before the auction of Treasury bills and shall also our Customer (for whom our Undertaking herewith was given) with notice about said cancellation within a reasonable period of time before the Auction.

We are aware that our Undertaking herewith is a condition that you have stipulated for the Customer's participation in the Auction and that you are basing yourselves thereon.

We are aware that any Treasury bills that the Customer obtains in the auction shall be deposited in a bank account with ourselves or be registered directly in the favor of the Customer in the Register of Bonds with the Bank of Israel, all of which as the Customer chooses.

Without derogating from our undertaking, please note in the credit notice, in addition to the Customer's name, his account number _____ and branch number _____.

Name and stamp of bank

Appendix C

To: Bank of Israel

Re: Undertaking and Account Crediting Instruction

We hereby agree that you credit our account, no. _____, kept with yourselves, in the sum of NIS_____.

We are aware that our Undertaking herewith is a condition required by yourselves for the transfer of the Treasury bills to the favor of the Customer or the registration of the Treasury bills in the Customer's name in the Register of Bonds with the Bank of Israel, and that you are basing yourselves thereon for the purpose of your aforementioned transaction.

Without derogating from our undertaking, please note in the credit notice, in addition to the Customer's name, his account number _____ and branch number _____.

Name and stamp of bank