

Banking and Credit

The Bank of Israel is the country's central bank. It has the sole right to issue currency and acts as the fiscal agent for the government. The Bank of Israel also acts as manager of Israel's foreign exchange and gold reserves, and regulates the commercial banks, ensuring that the interests of the public are served.

Israel's commercial banks provide credit to corporate clients by means of specialized lines of credit based upon the collateral provided by the client company. Until recently, most credit in Israel was provided by government-directed loans (specific to a particular export sector), either for working capital for export production or shipment, or as medium-term development loans. These loans usually carried subsidized interest rates.

Today most loans to finance export are no longer subsidized and the loans carry interest rates ranging from LIBOR + 1 per cent to LIBOR + 3 per cent, in accordance with the client's status. Development loans are granted carrying approximately the same rates of interest.

Investment Financing

Government-issued index-linked bonds have dominated the capital markets in Israel. Funds raised in this manner are channelled to selected sectors of the economy. The basic trend in Israel today is to end the issuing of index-linked bonds guaranteed by the government.

Commercial banks are another source of capital, providing directed (specific to a particular export sector) and non-directed credit to industrial, private and commercial clients.

The Tel Aviv Stock Exchange is the only stock market in Israel. It raises funds for publicly quoted companies and provides a secondary market for government bonds.

Equities can be bought and sold freely and capital and profits repatriated.