From Problem to Remedy:

Toward a Public Securitization Market in Israel

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The COVID-19 pandemic created a global financial crisis with lasting implications. A major characteristic of this crisis is the credit crunch that affected many businesses as a result of closures, limitations on movement, and changes in consumer trends and tastes. Small and medium-sized enterprises (SMEs), the backbone of the global economy, suffered the most. Because they typically have less diversified sources of credit than larger businesses do, SMEs were hit harder during the pandemic, and inequality in the commercial credit market has therefore increased.

Securitization is a sophisticated financial tool that allows businesses to expand and diversify their sources of credit. The regulatory and public debate concerning the establishment of a securitization market in Israel has been going on for more than two decades and suffered a temporary chilling effect caused by turmoil in the global financial markets. The main reason for postponing the establishment of such a market was the need to learn lessons from accumulated global experience. Securitization became negatively associated and even synonymous with the 2008 financial crisis, known as “the subprime crisis.” Although regulators around the world have acted on the lessons learned from that crisis, Israel still has not established a securitization market and current proposals are overcautious.

This article adds to the discussion by analyzing the coverage of securitization in the Israeli financial press from 2008 to 2020. It finds a sea change in public sentiment regarding securitization, which has gone from negative to positive, and thus allays policymakers fears of a public backlash should they promote securitization. Given this empirical finding and the benefits of securitization, this article examines today’s main proposal for regulating a securitization market in Israel. The analysis of this proposal suggests that it should be broadened to increase and diversify the sources of credit available to SMEs dealing with the financial implications of the COVID-19 pandemic.