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. This pandemic-induced crisis and its attendant closures, limitations on movement, and ensuing changes in consumer trends and tastes created a credit crunch that affected numerous businesses. 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 do larger businesses, SMEs were hit harder during the pandemic; as a result, inequality in the commercial credit market has increased.

Securitization is a sophisticated financial tool that enables businesses to expand and diversify their sources of credit. The regulatory and public debate concerning the establishment of a securitization market in Israel, ongoing for over two decades, was temporarily halted in the wake of recent turmoil in the global financial markets. The main reason for postponing the establishment of such a market in Israel 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 already acted on the lessons learned from that crisis, Israel still has not established a securitization market and current proposals are overcautious.

This article contributes to the discussion by analyzing the coverage of securitization in the Israeli financial press from 2008 to 2020. It finds a dramatic change in public sentiment regarding securitization, which has shifted from negative to positive, thereby allaying policymakers’ fears of a public backlash should they promote securitization. Given this empirical finding and the acknowledged benefits of securitization, this article analyzes today’s main proposal for regulating a securitization market in Israel, suggesting 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.