

The following translation is intended solely for the convenience of the reader. This translation has no legal status and although every effort has been made to ensure its accuracy, the ISA does not assume any responsibility whatsoever as to its accuracy and is not bound by its contents. Only the original Hebrew text is binding and reader is advised to consult the authoritative Hebrew text in all matters which may affect them.

SECURITIES LAW 5728-1968

CHAPTER ONE: INTERPRETATION

Definitions

1. In this Law –

"**securities**" – certificates issued in series by a company, a cooperative society or any other body corporate that confer a right of membership or participation in it or a claim on it, and certificates that confer a right to acquire securities – all irrespective of whether registered or to bearer, and exclusive of securities issued by the Government or by the Bank of Israel, for which one of the following holds true:

(1) they do not carry a right of participation or membership in a body corporate and are not convertible into and cannot be realized as securities that carry a said right;

(2) they are issued under a special enactment;

"**commercial securities**" – securities issued by a body corporate, which are an undertaking of the body corporate to pay the holder an amount of money on a date not earlier than seven days after the day of the offering and not later than one year after the said date, and which cannot be realised or converted into other securities;

"**company**" – including a foreign company, within its meaning in the Companies Ordinance;

"**subsidiary**" – company in which another company holds 50% or more of the nominal value of its issued share capital or of the voting power in it, or in which it may appoint half or more of the Directors or its general manager;

"**affiliate**" – a company in which another company, which is not its parent company, holds 25% or more of the nominal value of its issued share capital or in which it may appoint 25% or more of its Directors;

"**associated company**" – an affiliate, as well as a company in which another company, which is not its parent company, has invested an amount equal to 25% or more of the other company's equity capital, whether in shares or in some other manner, exclusive of a loan extended in the ordinary course of business;

"**nominee company**" – a company the sole activity of which is to hold securities on behalf of others, as well as any other body corporate designated by the Minister in consultation with the Authority;

"**Director**", in relation to a company – within its meaning in the Companies Ordinance, and in relation to a cooperative society or other body corporate – a person who holds a position in the cooperative society or in the other body corporate that corresponds to the position of a company Director;

"**Registrar**", in respect of a company or other body corporate – the Registrar of Companies; however, in respect of a cooperative society – the Registrar of Cooperative Societies;

"**issuer**" – whoever issues or has issued the securities offered to the public;

"**offeror**" – whoever offers securities to the public;

"offer to the public" – an act intended to induce the public to acquire securities; without derogating from the generality of the aforesaid, it also includes the following:

- (1) the listing of securities for trading on a Stock Exchange;
- (2) a call to the public to make offers for the acquisition of securities;

"supplementary notice" – a notice according to section 16(a1)(2);

"rights offer" – the issuer's offer to holders of its securities, or to holders of a category of its securities, to buy more of its securities;

"underwriting obligation" – an undertaking to acquire securities offered by prospectus, if the public does not acquire them, or an undertaking to acquire securities offered by prospectus in order to sell them to the public;

"underwriter" – whoever assumed an underwriting obligation;

"price setting underwriter" – an underwriter who participates in setting the price at which securities will be offered by prospectus;

"sale" – the sale of securities, including their issue;

"distributor" – whoever did not assume an underwriting obligation, but undertook to act for the sale of all or some of the offered securities in return for a distribution fee.

"acquisition of securities" – includes acquisition by way of allocation when the securities are first issued;

"holding" and **"acquisition"**, in respect of securities, voting power and the like – whether alone or with others, directly or indirectly, through a trustee, a trust company or a nominee company or in any other manner; in the case of holding or acquisition by a company – also by its subsidiary or by a company associated with it by implication; and in the case of holding or acquisition by an individual – the individual and his relatives who live with him or whose livelihoods depend on each other are deemed one person;

"holding or acquiring securities together with others" – the holding or acquisition of securities in cooperation between two or more persons according to a written or verbal agreement; without derogating from the generality of the aforesaid, the following shall prima facie be deemed to be holding or acquiring securities jointly:

- (1) a body corporate that acquires securities (in this definition: body corporate) together with a party with an interest in it or with its associated company;
- (2) repealed;
- (3) repealed;
- (4) a person whose business is the holding or trading of securities on behalf of others, together with his client or with his relative who does not live with him, the livelihood of the one not depending on the other, for whom he holds and manages securities under a power of attorney, which gives him discretion in the use of the right to vote;

"relative" – a spouse and also a sibling, parent, parent's parent, offspring or spouse's offspring or the spouse of any of these;

"control" – the ability to direct the activity of a body corporate, exclusive of that ability derived only from holding the position of Director or some other post in the body corporate, and the presumption is that a person has control in a body corporate if he has half or more of a certain means of control in the body corporate;

"means of control" in a body corporate – each of the following:

- (1) the right to vote in a company's general meeting or in the corresponding body of another body corporate;
- (2) the right to appoint Directors of the body corporate or its general manager;

"equity", of a body corporate – the capital of the body corporate within its meaning according to accepted accounting rules that apply to the body corporate, and if under those rules the body corporate's capital also includes the part related to rights that do not vest control – less those rights;

"the part related to rights that do not vest control" – within its meaning in the regulations and interpretations adopted by the International Accounting Standards Board (IASB);

"party with an interest", in a body corporate –

- (1) whoever holds 5% or more of the issued share capital or of the voting power in the body corporate, whoever is entitled to appoint one or more of the body corporate's Directors or its general manager, whoever serves as Director or as general manager of the body corporate or a body corporate in which an aforesaid person holds 25% or more of its issued share capital or of the voting power in it or is entitled to appoint 25% or more of its Directors; for the purposes of this paragraph –

- (a) the manager of a joint investment fund shall be deemed the person who holds the securities included in the fund's assets;
- (b) if a person holds securities through a trustee, the trustee shall also be deemed to be holding the said securities; for this purpose, **"trustee"** – other than a nominee company and other than a person who holds the securities only by virtue of his position as trustee for an arrangement, within its meaning in section 46(a)(2)(f) or as trustee for the allocation of shares to employees, as defined in section 102 of the Income Tax Ordinance;

- (2) the subsidiary of the body corporate, other than a nominee company;

"financial reports" – balance sheet, profit and loss account and other reports prescribed by regulations;

"misleading particular" – including anything liable to mislead a reasonable investor, and the possibly misleading omission of anything;

"banking corporation" – within its meaning in the Banking (Licensing) Law 5741-1981;

"Stock Exchange" – a Stock Exchange licensed under section 45;

"Stock Exchange abroad" – a securities Stock Exchange, an organized market or a trading list in any of them, which is not in Israel and is enumerated in Schedules Two and Three;

"organized market" – a system through which trading in securities, options and futures is carried out according to rules prescribed by whoever is entitled to prescribe them in the State where it operates, and if trading is carried out in more than one State – by whoever is entitled to prescribe them in one of the States in which it is carried out;

"foreign corporation" – a corporation incorporated in Israel, the securities of which are listed for trading on a Stock Exchange abroad;

"the foreign Law" – the Law that applies to a foreign corporation because of the registration of its securities for trading on a Stock Exchange abroad, including the rules of that Stock Exchange abroad;

"Joint Investments Law" – the Joint Investment Trusts Law 5754-1994;

"reporting body corporate" – a body corporate to which the provisions of section 36 apply and which was not exempted from their application;

"certification authority", "electronic signature", "secure electronic signature", "certified electronic signature" and "electronic message" – as defined in the Electronic Signature Law;

"electronic report" – the submission of a document to the Authority by means of an electronic message signed by a certified electronic signature, which can be stored electronically and can be produced as an output;

"electronic certification of arrival" – a certification signed by a secure electronic signature that a certified electronic message sent to a secure e-mailbox has arrived;

"secure identification system" – a system that combines hardware and software under the exclusive control of its owner, which makes the specific identification of its owner possible;

"certified electronic message" – an electronic message signed by a certified electronic signature;

"secure e-mail system" – a system used for the transmission of electronic messages, for which all the following hold true:

- (1) it provides an electronic certification of arrival to the sender;
- (2) it provides access to a secure e-mail box in the system only by means of a secure identification system;
- (3) it regularly takes reasonable defensive steps against its penetration and against interference with its operation, in order to secure the reliability of the information in it;

"secure e-mail box" – an e-mail box in a secure e-mail system;

"computer", "computer material", and "output" – as defined in the Computers Law 5755-1995;

"Electronic Signature Law" – the Electronic Signature Law 5761-2001;

"Companies Law" – the Companies Law 5759-1999;

"Counseling Law" – the Regulation of Investment Counseling and Portfolio Management Law 5755-1995;

"Prohibition of Money Laundering Law" – the Prohibition of Money Laundering Law 5760-2000;

"Arrests Law" – the Criminal Law Procedure (Powers of Enforcement – Arrest) Law 5756-1996;

"Penal Law" – the Penal Law 5737-1977;

"investigator" – a person appointed under section 56A2(a);

"senior investigator" – a person appointed under section 56A2(b);

"object" – as defined in the Arrest and Search Ordinance;

"Authority offices" – a place that the Authority chairman designated, by a notice published in Reshumot, as offices of the Authority;

"officer" – as defined in the Companies Law;

"senior officer" – as defined in section 37(d);

"supervised factor" – each of the factors specified below, as well as controlling shareholders, Directors and senior officers of each of them:

- (1) reporting body corporate;
- (2) body corporate that offers its securities to the public for the first time;
- (3) trustee for debentures, within its meaning in Chapter Five "A";
- (4) underwriter;
- (5) distributor;
- (6) Stock Exchange member;
- (7) Clearing House;
- (8) company with a platform license, within its meaning in Chapter Seven "C";
- (9) license holder under the Counseling Law;
- (10) fund manager, within its meaning in section 4 of the Joint Investments Law;
- (11) an investor named in item (2) or (3) of Schedule One;
- (12) banking corporation and an auxiliary body corporate, within their meaning in the Banking (Licensing) Law 5741-1981, other than a joint services company;
- (13) whoever performs the acts that any of the factors enumerated in paragraphs (3) to (12) may perform; even though he is not allowed to perform them;
- (14) whoever engages in investment counseling and investment portfolio management and is not required to have a license under section 3 of the Counseling Law;

"securities offense" – an offense specified below:

- (1) an offense under this Law;
- (2) *repealed*
- (3) an offense under sections 284, 290, 291, 415, 423, 424, 424A and 425 of the Penal Law, committed in connection with an offense under paragraphs (1) or (6);
- (4) an offense under sections 3 and 4 of the Prohibition of Money Laundering Law, committed in connection with an offense under paragraphs (1), (3) or (6);
- (5) an offense under sections 240, 242, 244, 245 and 246 of the Penal Law, committed in connection with an investigation or legal proceeding under paragraphs (1), (3), (4) or (6);
- (6) an offense under any other enactment that the Minister of Justice and the Minister of Internal Security designated by Order with approval by the Knesset Constitution, Law and Justice Committee;

"Criminal Law Procedure Ordinance" – the Criminal Law Procedure Ordinance (Testimony);

"Arrest and Search Ordinance" – the Criminal Law Procedure Ordinance (Arrest and Search) [New Version] 5729-1969.

CHAPTER TWO: SECURITIES AUTHORITY

Establishment of Authority

2. A Securities Authority (hereafter: the Authority) is hereby established, its function being to protect the interests of the public of investors in securities,

as provided by this Law.

Composition of Authority and appointment of its members

3. (a) The Authority shall consist of members whom the Minister of Finance will appoint and their number shall not exceed thirteen; some of the members shall be appointed from among the public and some from among State employees, and one of them shall be an employee of the Bank of Israel.
- (b) The Minister of Finance shall appoint one of the members of the Authority to be Authority chairman, and one of them to be Deputy Chairman.
- (c) No person shall be appointed a member of the Authority if one of the following holds for him:
 - (1) he is member of a Stock Exchange;
 - (2) he engages in securities trading, either on his own account or on the account of others;
 - (3) he is employed by a person said in paragraphs (1) or (2); for the purpose of this provision the Bank of Israel shall not be deemed to engage in securities trading;
 - (4) he is neither a State employee, nor an employee of the Bank of Israel and, in the opinion of the Minister of Finance his other activities may create a conflict of interest with his responsibilities as member of the Authority.
- (d) Notice of the appointment of an Authority member, of the Authority chairman and of the Deputy Chairman shall be published in Reshumot.

Member's term of office

4. (a) The term of office of a member of the Authority shall be three years from the day of his appointment, but of the initial appointees two shall serve for two years and two for one year.
- (b) The term of office of the Authority chairman shall be five years from the day of his first appointment as chairman, and when that term of office has ended he may be reappointed for additional terms of office of three years each.
- (c) A member of the Authority whose term of office has expired may be reappointed.
- (d) The Minister of Finance may – after the Authority member was given a proper opportunity to present his arguments – cancel the appointment of an Authority member who, without a cause that the Minister deems justified was absent from four consecutive meetings of the Authority or from six meetings within a single fiscal year; the provisions of subsection (c) shall not apply to an Authority member whose appointment was canceled as aforesaid.

Transaction with securities prohibited

5. (a) Authority members shall not conduct any transaction with securities, except under a permit from the Minister of Finance, such a permit may be general or in respect of certain categories of securities.

- (b) Authority members shall notify the Authority and the Minister of Finance, within seven days after their appointment, of the securities that they hold.
- (c) The provisions of subsections (a) and (b) shall apply, mutatis mutandis, to employees of the Ministry of Finance who perform professional or administrative functions in respect of securities, but in their case notification under subsection (b) shall be made only to the Minister of Finance.

Termination of membership and appointment of substitute

- 6. (a) If an Authority member becomes member of a Stock Exchange or begins to engage or to be employed as said in section 3(c), or if he violated the provisions of section 5 or was convicted of an offense that is heinous, or if he went bankrupt or a receiver was appointed for him by a Court, the Minister of Finance shall remove him from office.
- (b) If an Authority member who is a State employee or a Bank of Israel employee ceases to be a State employee or a Bank of Israel employee, his membership in the Authority shall lapse when he ceases to be a said employee.
- (c) If an Authority member resigned or it was ascertained that he is permanently unable to perform his function, or if he died or was removed from office or his membership in the Authority lapsed, the Minister of Finance shall appoint another member in his place for the remainder of his term of office.

Remuneration

- 6A. (a) Authority Members shall not receive remuneration from the Authority for their services.
- (b) The Authority may pay its members remuneration for participation in Authority meetings, at rates and according to rules to be set by the Minister of Finance.

Validity of acts

- 7. The powers of the Authority and the validity of its acts shall not be affected because a member's place fell vacant or because of a defect in the appointment or continued membership of a member.

The Authority – a body corporate

- 8. (a) The Authority shall be a body corporate, competent in respect of any obligation, right or judicial act.
- (b) The Authority chairman, its Deputy Chairman or another member so authorized by the Authority may represent the Authority.

The Authority – an audited body

- 9. The Authority shall be an audited body, within its meaning in section 9(2) of the State Comptroller Law [Consolidated Version] 5718-1958.

Management of the Authority

- 9A. The Authority chairman is in charge of the Authority's activities and of the

implementation of its decisions.

Publication of Decisions

9B. The Authority shall publish those of its decisions which, in its opinion, are of principled significance.

Authority employees

10. (a) The Authority may employ employees, in accordance with a table of organization that will be approved by the Minister of Finance; hiring, appointment, working conditions, remuneration and benefits shall be like those of State employees.
- (b) The provisions of sections 3(c) and 5 shall also apply, mutatis mutandis, to the employees of the Authority who perform professional or administrative functions in it.

Restrictions after retirement

- 10A. (a) An Authority employee, who in the course of his work at the Authority dealt with a certain matter, shall not represent any person in respect of that matter before the Authority after he ceased to work for the Authority.
- (b) An Authority employee who left its employment shall not represent any person before an Authority employee who was under his authority before he left the Authority and he shall not ask him to grant him any right – either for himself or for his business, either by agreement or as a permitted act – the grant of which is within the discretion of that employee, all if one year has not yet passed since the relationship ended.
- (c) An Authority employee who left its employment shall not – during three months after the date of his departure – receive any right or benefit from any person who maintained any contact with the Authority during the year before the day of the employee's departure, unless he received permission therefor from the Authority chairman; the Authority chairman shall report the grant of a said permission to the Authority plenum.
- (d) An Authority employee who left its employment must not, by virtue of share holdings, be a party with an interest in a Stock Exchange member, as long as one year has not passed since his departure, and he must not be an employee of a Stock Exchange member as long as three months have not passed since his departure, except if he received permission therefor from the Permits Committee that was set up under section 11 of the Public Service Law (Restrictions after Retirement) 5729-1969, and the provisions of sections 12 and 13 of the said Law shall apply to this matter.
- (e) An Authority employee who left its employment must not engage in securities trading, either on his own account or on that of others, as long as three months have not passed since his departure, except if he received permission therefor from the Authority chairman; the Authority chairman shall report the grant of a said permission to the Authority plenum.

Special restrictions

10B. The Minister of Justice may, in consultation with the Minister of Finance and with approval by the Knesset Constitution, Law and Justice Committee

-
- (1) prescribe provisions on special restrictions that shall apply to Authority employees who were authorized under sections 56A to 56C after they leave the Authority's employ; the special restrictions shall be prescribed in consideration of the powers and the subjects connected with their responsibilities;
 - (2) authorize a person to give an employee said in paragraph (1) permission to digress from the special restrictions.

Granting permission

10C. (a) Whoever is authorized to grant a permit under sections 10A and 10B may set conditions for it.

- (b) Permits under sections 10A and 10B shall not be given, except after the person who gives the permit is satisfied that the act, in respect of which the permit was requested, does not involve a violation of ethics.

Budget

11. Every year the Authority shall prepare a draft budget and submit it to the Minister of Finance; the budget requires approval by the Minister of Finance and by the Knesset Finance Committee.

Procedure and rules for dealing with applications

12. (a) The Authority shall prescribe the procedure for its meetings and deliberations, as far as they are not prescribed by this Law.

- (b) Five Authority Members, including the Chairman or the Deputy Chairman, shall constitute a quorum at Authority meetings.
- (c) Decisions of the Authority shall be adopted by a majority, those abstaining not being counted as voting.
- (d) Rules for dealing with applications for permission to publish a prospectus shall be prescribed by the Authority with approval by the Minister of Finance and shall be published in *Reshumot*; the Authority may prescribe separate aforesaid rules that will apply to applications for permits to publish prospectuses of the kinds enumerated in Schedule Three "A"; the Minister of Finance may, on the Authority's proposal or after consultation with it and with approval by the Knesset Finance Committee, change the said Schedule by an Order.
- (e) The Authority may, with approval by the Minister of Finance, prescribe procedures for handling the reports said in section 36(c), either generally or by categories; the rules shall be published in *Reshumot*.

Delegation of powers

12A. (a) The Authority may delegate some of its powers to committees of at least three of its members.

- (b) A majority of a committee's members constitutes a quorum at its

meetings.

Confidentiality

13. The proceedings of the Authority or the material submitted to it or to its members by virtue of their membership must not be disclosed, except with the consent of the Authority or of its Chairman or as said in section 44; this provision shall not prevent disclosure on the Attorney General's demand for purposes of a criminal trial or on the demand of a Court.

Reports

14. The Authority shall deliver reports on its activities to the Minister of Finance and to the Knesset Finance Committee, on their request and at least once a year.

14A. Repealed.

CHAPTER THREE: THE PROSPECTUS AND THE PERMIT FOR ITS PUBLICATION

Offer and sale to the public

15. (a) No person shall offer securities to the public, except by a prospectus that the Authority permitted to be published, or by a draft prospectus that was approved and signed as said in section 22 and submitted to the Authority;
- (b) No person shall make any sale to the public otherwise than by a prospectus, publication of which the Authority permitted.

Acts that are not deemed an offer or a sale to the public

- 15A. (a) The following shall not be deemed an offer or a sale to the public –
- (1) an offer or a sale to investors whose number does not exceed a number that will be prescribed in regulations, on condition that the number of investors to whom the offeror will sell securities by a said offer or sale, together with the number of investors to whom he sold securities during the twelve months that preceded that offer or sale, does not exceed the prescribed number; for this purpose investors who acquired shares and securities convertible into or realizable as shares and investors who acquired other securities shall be counted separately;
 - (2) an allocation of bonus shares, which does not give entitled persons any choice; for this purpose, "**bonus shares**" – shares that a company allocates not for consideration to all holders of its securities who are entitled to bonus shares, in proportion to their securities holdings on the day set for that purpose by the company, on condition that that day is later than the day on which notice of the decision to issue bonus shares was given;
 - (3) an allocation or transfer of securities to all or some of the owners of securities of a body corporate according to a

judgment or Court order that was handed down in a class action suit within its meaning in the Companies Law, or an allocation or transfer of securities according to a decision handed down in a proceeding under Chapter Three in Part Nine of the Companies Law, all after the Authority was given an opportunity to appear in the proceeding and to present its stand on the need for publication of a prospectus in order to protect the interests of the intended offerees;

- (4) a public announcement of the intention to sell securities –
 - (a) to offerors, whose number does not exceed the number set in regulations in respect of paragraph (1), who will be chosen by a method to be prescribed by whoever makes the announcement;
 - (b) to investors as said in paragraph (7);
 - (5) negotiations between an offeror and a person who considers assumption of an underwriting obligation, on condition that that person has the qualifications said in section 56(c);
 - (6) the provision of explanations – at a meeting of employees of a body corporate or of employees of a body corporate that controls or is under the control of a said body corporate – in connection with particulars of an offer of securities of the said body corporate to the said employees, on condition that information not be given about a reporting body corporate that had not been published up to the date of the meeting, whether by a prospectus or by a report submitted under Chapter Six; minutes shall be kept at the meeting and made available to the employees;
 - (7) an offer or a sale to investors who are among those specified in subsection (b).
- (b) All the following shall not be taken into account in the count of investors for the purposes of subsection (a):
- (1) an investor who belongs to a category stated in Schedule One; the Minister of Finance may, in consultation with the Authority and with approval by the Knesset Finance Committee, add to or detract from Schedule One;
 - (2) an investor incorporated abroad, if the Authority is of the opinion that he can obtain the information he needs in order to decide whether to invest in the securities and that would have been included in a prospectus, had one been published;
 - (3) a controlling shareholder, a general manager or a Director of the body corporate, whose securities are being offered, or a body corporate under the control of the body corporate, the securities of which are being offered.

Restriction on applicability

15B. Section 15 shall not apply to the following acts:

- (1) (a) an offering of securities issued by a reporting body corporate to employees of the body corporate, including employees of a body corporate under its control, that is made as part of employee remuneration program by a descriptive document that includes

- particulars about the offer and about the offered securities, as will be prescribed in regulations, as well as reference to the last periodic report, to interim financial reports and to the immediate reports submitted thereafter, all according to Chapter Six; a descriptive document shall, for all intents and purposes, be treated like a report under section 36; regulations under this subsection shall also prescribe provisions on the structure and form of the descriptive document and on the way it shall be delivered to the employees;
- (b) an offering by the State of securities of a reporting body corporate, including securities issued by the State that are convertible into or realizable as the securities of the said body corporate, to employees of that body corporate, including employees of a body corporate under its control, as part of privatization not by prospectus, which is made by a descriptive document under subparagraph (a);
- (2) (a) an offering of securities issued by a body corporate that is not a reporting body corporate and the securities of which are not listed for trading abroad, to its employees, including employees of a body corporate under its control, as part of an employee remuneration program, on condition that the consideration for the offering and the proportion of the issued and paid up capital of the body corporate that will be allocated to the employees under the said offer, together with those accepted and issued as aforesaid during the year preceding the offer, do not exceed an amount and a proportion prescribed in regulations; the body corporate shall deliver a copy of the program to each employee who is entitled to the offered securities;
 - (b) an offering by the State of securities of a body corporate that is not a reporting body corporate, including securities that are convertible into or realizable as securities of a said body corporate and that are issued by the State, to employees of that body corporate, including employees of a body corporate under its control, as part of privatization not by prospectus, for which the reservations said in subparagraph (a) hold true;
- (3) an offer in the course of trading on a Stock Exchange of securities listed there for trading;
 - (4) an offer by a body corporate that is not a reporting body corporate to a number of investors, even if it is greater than the number prescribed by regulations under section 15A(a)(1), including an aforesaid offering according to which the body corporate and a shareholder offer jointly, if the consideration received and the proportion of the issued and paid up capital allocated under it do not exceed the maximum consideration and proportion for a single offering that was set in regulations, on condition that the following two conditions are met:
 - (a) the proportion of the capital of the body corporate that is allocated in the said offering, together with the proportion of the capital of the body corporate that was allocated by it in previous

- offerings without prospectus shall not exceed the proportion of the capital that is prescribed by regulations;
- (b) the number of investors in a said offering, together with the investors to whom the body corporate actually sold securities in previous offerings without prospectus shall not exceed the number prescribed by regulations.
- (5) listing of securities for trading on a Stock Exchange in connection with –
- (a) an offering to the public by prospectus;
 - (b) a private offering of securities of a listed company, within its meaning in section 46(a)(4);
 - (c) an offering of securities of a category of securities listed for trading on a Stock Exchange that is addressed to the public abroad and includes listing the securities for trading on a Stock Exchange abroad;
 - (d) a realization or conversion of realizable or convertible securities into other securities that were offered as said in subparagraphs (a) or (b);
 - (e) an allocation of securities to which paragraph (1) of this section or paragraphs (a)(2) and (3) of section 15A apply;

in this section –

"consideration" – includes the consideration for the realization or conversion of realizable or convertible securities;

"privatization" – an offering of securities by the State for the implementation of a privatization decision under Chapter Eight "A" of the Government Companies Law 5735-1975, or of a Government decision under section 8(b) of the said Law, or an aforesaid offering in the course of a sale under Chapter Seven of the Bank Shares under Arrangement (Ad Hoc Provisions) Law 5754-1993;

"offer" – including a sale.

Restrictions on the resale of securities

- 15C. (a) Notwithstanding the provisions of section 15B(3), the following shall be deemed an offering to the public:
- (1) an offering in the course of trading on a Stock Exchange of securities listed there for trading, which had been allocated to the offeror by an issuer in an offering under section 15A(a)(1), (4) or (7), or by an offering abroad made not by prospectus, if the period prescribed in regulations has not yet passed since the day of the allocation or if the additional periods set in regulations have not yet passed and one of the following applies to each additional period:
 - (a) the quantity of securities offered is greater than the quantity prescribed by regulations;
 - (b) the proportion of the issued and paid up capital of the body corporate whose securities are being offered exceeds the proportion set in regulations;
 the provisions of this paragraph shall also apply to securities that were acquired in the course of the aforesaid additional period or

periods otherwise than under a prospectus and not in the course of trading on a Stock Exchange from the offeror or from a body corporate controlled by the body corporate the securities of which are being offered, and to securities that derive from the realization or conversion of securities that were allocated as said in this paragraph;

- (2) an offering in the course of trading on a Stock Exchange of securities listed there for trading that had been allocated to a body corporate under the control of the body corporate the securities of which are being offered not under a prospectus, if the period set in regulations has not yet passed since the day on which the securities were allocated to the body corporate as aforesaid;
- (b) the provisions of paragraph (a) shall not apply to an offering in the course of trading on a Stock Exchange by the State or by whoever acquired securities offered by the State in connection with a privatization, within its meaning in section 15B.

Offer or sale to employees of a body corporate the securities of which are listed for trading abroad

15D. The Authority may exempt from all or some of the provisions of this Law a body corporate the securities of which are listed for trading abroad and which is not a reporting body corporate, which offers or sells its securities to its employees and to employees of a body corporate under its control in Israel as part of an employee remuneration program, if it is satisfied that the laws of the state in which its securities are listed for trading sufficiently protect the interests of the employee public in Israel, in a manner similar to what is required under section 15B(1), and it may prescribe conditions for the said exemption in order to ascertain that the employees have all the particulars required under section 15B(1), including translation of the offering documents into Hebrew and their delivery to the employees.

Special rules

15E. The Authority may – with approval by the Minister of Finance – make rules that will enable it to exempt an offeror from some or all of the provisions that relate to particulars in a prospectus, its structure and form for categories of offerings, offerors, bodies corporate or securities; the rules shall be published in *Reshumot*.

Regulations

15F. The Minister of Finance shall, with approval by the Knesset Finance Committee, make regulations under sections 15A to 15C; regulations under this section shall be made on the Authority's proposal or after consultation with it.

Prospectus

16. (a) A prospectus shall include every particular that is likely to be important for a reasonable investor who considers purchasing the securities offered under it, and every particular that the Minister of

Finance prescribed under section 17.

- (a1) (1) In an offer that is not a rights offer it is permissible –
 - (a) not to include particulars about underwriters and distributors, as specified in regulations under section 17D(a)(2) and every particular required under them;
 - (b) to change – after the prospectus was published and before the period for the submission of orders began – the conditions of the offered securities, including their price and quantity, from those stated in the prospectus, and also every other particular in the prospectus that will change in consequence of the said change, as specified in regulations under section 17D(a)(2), on condition that the extent of the change not exceed limits that the Minister will set in regulations under section 17D(a)(3);
- (2) particulars that were not included in the prospectus or were changed as said in paragraph (1) shall be included in a supplementary notice, which the offeror shall publish in a manner and at a time which the Minister will prescribe under section 17D(a)(2) and which – from the date of their publication – shall be deemed an integral part of the prospectus.
- (b) repealed

Regulations on particulars in a draft prospectus and prospectus

- 17. (a) The Minister of Finance shall, on the Authority's recommendation or after consultation with it and with approval by the Knesset Finance Committee, make regulations on the particulars that must be included in a draft prospectus and in a prospectus, and on their structure and form.
- (b) Regulations under this section may, inter alia, refer to the following:
 - (1) financial reports of the issuer, of its subsidiaries and associated companies, the degree of detail in them and the accounting principles according to which they are to be drawn up;
 - (2) subjects and particulars to which the auditors' opinion on the reports said in paragraph (1) shall refer, and the form of that opinion;
 - (3) the professional opinion of an attorney-at-law on subjects connected to issuing and offering securities, including the issuer's and the offeror's authority to issue and offer them in the proposed manner; and also on any other legal matter, all as prescribed in regulations;
 - (4) certification by an attorney-at-law that all the permits statutorily required for a public securities offering have been obtained;
 - (5) particulars on parties with an interest in the issuer and descriptions of their ties with the issuer;
 - (6) the price of the offered securities; for this purpose, "**price**" includes a range of prices.
- (c) Interested parties must deliver to the issuer the particulars that the issuer needs in order to meet his obligations under regulations that were made under subsection (b)(5).

- (d) The Minister of Finance may make regulations under this section in general or for categories of securities, of issuers, of offerors or of public offerings, or according to any other classification.

Sale at a uniform price

- 17A. (a) The sale under a prospectus of securities listed for trading or intended to be listed for trading on a Stock Exchange (in this section: the offered securities) shall be at a uniform price; for this purpose, "price" includes payment terms and every reduction or benefit given to a purchaser, less an amount of reasonable and accepted distribution commission paid to distributors; however, the Minister of Finance may designate – at the Authority's proposal or after consultation with it and with approval by the Knesset Finance Committee – categories of offerings, of buyers and of condition, for which the securities may be sold at a different price.
- (b) If the offered securities were sold at different prices not according to the regulations made under subsection (a), the offeror, underwriter or distributor of the offering who sold securities at a price lower than that stated in the supplementary notice or – if no supplementary notice was published – in the prospectus, shall be liable toward all persons who during the sale bought securities – according for his proportional part – to pay the differential between the aforesaid price the purchaser paid and the lower price paid by another purchaser, who bought securities during the sale under the prospectus.
- (c) The Minister of Finance may prescribe – at the Authority's proposal or after consultation with it, and with approval by the Knesset Finance Committee – a rate or criteria for a reasonable and accepted distribution commission, within its meaning in subsection (a).

Advance undertakings are void

- 17B. An undertaking – other than an underwriting obligation – to buy securities, which was made before the period for submitting orders began, is void, unless it is by an investor enumerated in section 15A(b)(1) or (2) on conditions prescribed in regulations under section 17C.

Ways of offering and selling securities

- 17C. (a) (1) Securities listed or intended to be listed for trading on a Stock Exchange shall be offered by prospectus and sold on terms and in a manner that is equal for all (in this Law: uniform offering); however, the Minister of Finance may prescribe conditions and circumstances under which all or part of the provision of this subsection shall not apply, also in respect of categories of offerings, of securities or of purchasers, or in respect of securities where the volume issued is greater than that prescribed by the Minister, on condition that the price of the offered securities be a uniform price, as said in section 17A.
- (2) A uniform offering shall be made without a maximum price having been set for the offered securities; however, the Minister of Finance may prescribe in regulations that the prohibition of a

maximum price for securities shall not apply or shall apply on conditions that he will prescribe.

- (b) In addition to the provisions of subsection (a), the Minister of Finance may prescribe conditions and restrictions that shall apply to the offering by prospectus and to the sale of securities listed or intended to be listed for trading on a Stock Exchange.
- (c) Regulations under this section shall be made on the Authority's proposal or after consultation with it, and with approval by the Knesset Finance Committee.

Regulations about marking, numbering and distribution and about supplementary notices

- 17D. (a) On the Authority's proposal or after consultation with it, and with approval by the Knesset Finance Committee, the Minister of Finance shall prescribe the following:
- (1) how draft prospectuses and prospectuses are to be marked, numbered and distributed;
 - (2) the particulars to be included in the supplementary notice, and when and how it shall be published;
 - (3) the extent of the change of conditions of securities, which shall be permissible under section 16(a1)(1)(b).
- (b) In regulations under subsection (a) the Minister may prescribe different arrangements for different methods of offering.

Price setting underwriter

17E. At least one price setting underwriter shall participate in an offering that is secured by an underwriting obligation.

Obligation of good faith

17F. In the course of his activity as an underwriter the underwriter shall act in good faith and shall not abuse his power.

Draft prospectus

18. (a) The draft of a prospectus shall include all the particulars that must be included in a prospectus under sections 16 and 17, but it is permissible not to include in the draft the price of the offered securities.
- (b) An offeror who wishes to obtain exemption from the inclusion of a particular in the prospectus under section 19 shall submit to the Authority an application for the exemption, stating in it the said particular; the application shall be submitted to the Authority together with the draft prospectus and that particular does not have to be included in the draft prospectus.
- (c) The offeror must deliver to the Authority, at its request, written explanations, particulars, information and documents connected with the particulars included in the draft prospectus and with any other matter of which the Authority demands an explanation.

Exemption from disclosure

19. (a) The Authority may exempt the offeror from including a particular in

the prospectus if –

- (1) in its opinion, protection of a commercial secret of the offeror justifies not disclosing the particular, on condition that the particular is not of a nature, which – were it included in the prospectus – would be likely to deter a reasonable investor from acquiring the offered securities;
 - (2) its disclosure is likely to harm national security, the national economy or an investigation conducted by the Israel Police or by the Authority, and if the Minister of Defense or the Minister of Finance or the Minister of Police or the Authority chairman, as the case may be, or a person so authorized by one of them, certified by a signed document that disclosure would cause said harm.
- (b) If the Authority finds that the disclosure of a particular said in subsection (a)(2) is important in respect of a reasonable investor who considers acquiring the securities, it shall not allow the prospectus to be issued.
- (c) If an exemption under subsection (a) was granted, that fact shall be stated in the prospectus.

Requirements by the Authority on particulars of the prospectus

20. (a) The Authority may require the offeror to include the matters enumerated below in the prospectus, if it holds that – under the circumstances of the case – they are important for a reasonable investor who considers acquisition of the offered securities:
- (1) any particular in addition to the particulars included in the draft prospectus, or particulars in addition to the particulars required by regulations under section 17;
 - (2) any of the particulars that regulations under section 17 require in respect of the issuer – also in respect of his subsidiary or associated company;
 - (3) the opinion of an attorney-at-law on any particular in addition to the particulars required by regulations under section 17(b)(3);
 - (4) the opinion of an expert on a reappraisal or on any other matter included in the draft prospectus or in the financial reports included in it;
 - (5) other reports or opinions, in addition to any report or opinion included in the draft prospectus;
 - (6) after the offeror was given suitable opportunity to present his arguments – financial reports, opinions or surveys by the auditor who audited or surveyed them, or by another auditor in place of those presented in the draft prospectus, if – in its opinion – they were not drawn up according to accepted accounting and reporting rules and do not fairly represent the state of the issuer's business.
- (b) The Authority may demand of the offeror that any particular included in the draft prospectus be especially emphasized in the prospectus in a manner which it shall prescribe.

Examination procedures

- 20A. (a) The procedures for examining draft prospectuses shall be set by the Authority with approval by the Minister of Finance, and they shall be published in *Reshumot*; examination procedures may be by categories of securities, of issuers, of offerors or of offers to the public, or according to any other classification.
- (b) The Authority shall give the Knesset Finance Committee notice of the examination procedures under subsection (a), which the Minister of Finance approved, and they shall be published in *Reshumot* within 14 days after the day on which the notice was given, if until then no Committee member demanded that they be canceled; if a said demand is made, the Committee shall discuss it and the examination procedures shall be published in *Reshumot* within 30 days after the day on which the demand was made, if the Committee did not cancel them.

Permit to publish a prospectus

21. (a) The Authority shall give a permit to publish a prospectus, if it is satisfied that the draft prospectus complies with the provisions of this Law and with the Authority's requirements thereunder, and that all the permits statutorily required before a prospectus is published have been granted; the Authority may obtain the said satisfaction by following that examination procedures approved under section 20A that it deems appropriate.
- (b) The permit does not constitute a certification either of the particulars stated in the prospectus or of the reliability or completeness of those particulars and it does not constitute any expression of an opinion on the quality of the securities offered.
- (c) The prospectus shall reproduce the contents of the provision of subsection (b).

Issues for the provision of credit to involved parties

- 21A. If the provisions of paragraph 6 in the definition of "extension of credit" in section 21 of the Banking (Licensing) Law 5741-1981 apply to a body corporate –
- (1) it shall not extend credit to a single recipient of credit in excess of a percentage of the issue that the Minister of Finance prescribed by order in consultation with the Authority;
- (2) it shall include in the prospectus – if the Authority so demanded – financial reports of the recipients of the credit or other information about them that it believes a reasonable investor will require.

Approving the draft prospectus and prospectus and signing them

22. (a) A draft prospectus submitted to the Authority for the first time and a draft prospectus according to which securities will be offered to the public shall be approved by the issuer's Board of Directors and signed by the issuer; if the securities were offered not by the issuer, the offeror shall also sign the said drafts, and the draft prospectus, according to which the securities will be offered to the public, shall

also be signed by at least one of those who will be underwriters of the offering.

- (b) The prospectus shall be signed by the issuer and by a majority of the members of the Board of Directors, including at least one public Director, and – in a company that makes its first public securities offering – including at least one Director who is not a party with an interest in it, except by being a Director; a Director shall sign in person or through a person he authorized in writing to sign that prospectus in his place; in this section, "**public Director**" – as defined in Title Two of Chapter Four of the Companies Ordinance [New Version] 5743-1983.
- (c) If there is an underwriter of the offering, he also shall sign the prospectus.
- (d) If the securities are offered not by the issuer, the offeror shall also sign the prospectus.
- (d1) The issuer shall sign a supplementary notice; if the securities are offered not by the issuer, the offeror shall also sign the supplementary notice; if there is an underwriter of the offering, he also shall sign the supplementary notice; when he has signed he shall be deemed, for all intents and purposes, a signatory of the prospectus and by his said signature he shall certify that this statute is known to him.
- (e) If a Director objected to publication of a prospectus or refused to sign it and brought that to the Authority's attention in a reasoned written notice, the Authority may stay publication of the prospectus if it concluded that there are grounds that would enable a Court of Law to intervene, were the matter brought before it; the stay shall be for ten days from the day of the Authority's decision, except if a Court ordered otherwise.
- (f) Notice that proceedings under subsection (e) were initiated shall be communicated to the Authority, and the Authority may appear in those proceedings and state its case.

Date and publication of prospectus

- 23. (a) A prospectus, publication of which was permitted, shall be published by means of an electronic report under section 44B within seven days after permission was granted; the prospectus shall bear the date of its publication (in this Law: date of prospectus or date of the publication of the prospectus);
 - (a1) If the electronic report was made until 9:30 AM, the day on which the prospectus was reported electronically, as said in subsection (a), shall be the date of the prospectus' publication, and if it was made later – the day after the report.
 - (b) Notwithstanding the provisions of subsection (a1), if a supplementary notice was published the date of its publication shall be deemed the date of publication of the prospectus.
 - (c) The offeror shall, not later than on the first business day after the date of the prospectus –
 - (1) in the case of an offer to the public, in consequence of which the body corporate will become a reporting body corporate, submit

- to the Registrar a copy of the prospectus and a copy of the permit for its publication, and if the prospectus includes an offer of securities in respect of which a trusteeship deed was signed – also the trusteeship deed;
- (2) publish a notice in a newspaper according to section 55B about the submission of the documents said in paragraph (1).
- (d) Repealed

Shelf prospectus

- 23A. (a) A person may offer securities several times and at different times by a prospectus (in this Law: shelf prospectus) according to the provisions of this section.
- (b) Securities shall be offered to the public under a shelf prospectus in the course of 24 months after its publication; however, if the Authority or an Authority employee whom the Authority so authorized concluded, upon a body corporate's request, that all the conditions prescribed under subsection (d) for an extension of the period in which securities may be offered according to a shelf prospectus hold true for it, they shall extend the period said in this subsection for an additional 12 months.
- (c) Notwithstanding the provisions of subsection (b), if commercial securities are offered to the public by a prospectus which – according to regulations under sections 16 and 17 – only includes the particulars that must be included in a prospectus that offers commercial securities, that shall done be in the course of 12 months after publication of the shelf prospectus.
- (d) The Minister of Finance may – upon a proposal from the Authority or after consultation with it and with approval by the Knesset Finance Committee – prescribe conditions for securities offerings by shelf prospectuses and for the extension of the period during which securities may be offered to the public according to a shelf prospectus under subsection (b), including the following conditions:
- (1) the investment grade assigned to the offered securities, as defined in the Regulation of the Activity of Credit Rating Companies Law 5774-2014 (in this Law: the Rating Law) accords with what the Minister prescribed;
 - (2) the body corporate is a reporting body corporate or a body corporate to which the provisions of Chapter Three “C” apply during a period set as aforesaid by the Minister of Finance and it meets the reporting obligations under this Law.
- (e) If the Authority concluded – after a permit for publication of a shelf prospectus was given – that any of the conditions under subsection (d) were not met when the permit was given as aforesaid, or that it ceased to be met thereafter, it may – after it has given the offeror an opportunity to present his arguments to it – order that no more securities shall be offered under the shelf prospectus, or it may set conditions for the continued offering of securities thereunder.
- (f) If the offeror wants to offer securities under a shelf prospectus, he shall submit a report about the offering to the Authority (in this Law:

shelf offering report); the provisions of this subsection shall not apply to a securities offering under a shelf prospectus, if all its particulars, including the period for placing orders thereunder, were prescribed in the shelf prospectus when it was published.

- (g) A shelf proposal report shall be treated like a prospectus, and as of the date of the report's publication its contents shall be deemed an integral part of the prospectus; however –
- (1) publication of a shelf proposal report does not require a permit under this Law from the Authority; notwithstanding the aforesaid, the Authority may prescribe in rules instances, in which publication of a shelf proposal report does require a permit under this Law from the Authority and the conditions for granting the said permit.
 - (2) the Minister of Finance may – upon a proposal from the Authority or after consultation with it, and with approval by the Knesset Finance Committee – prescribe the particulars that must be included in a shelf proposal report, as well as its structure, format and when and how it shall be submitted and published.

CHAPTER FOUR: ORDERS UNDER A PROSPECTUS

Period for placing orders

24. (a) The period for placing orders for securities offered in a prospectus (in this Law: orders) shall be prescribed in the prospectus, on condition that it begin not earlier and end not later than the times prescribed in subsections (b) or (c), as the case may be.
- (b) On the Authority's proposal or after consultation with it, and with approval by the Knesset Finance Committee, the Minister of Finance shall prescribe all the following:
- (1) when the period for placing orders begins, on condition that it is after the date of publication of the prospectus;
 - (2) when the period for placing orders ends, on condition that it is not later than 45 days after the date on which it began;
- in regulations under this subsection the Minister of Finance may set different times for different categories of securities, of offering methods or of prospectuses.
- (c) The Authority may advance the beginning of the period set in regulations under subsection (b) for submitting orders, on condition that it is after the date of publication of the prospectus, and it may also postpone the end of the said period, on condition that it is not later than six months after its beginning; the Authority may advance or postpone times under this subsection on conditions it deems appropriate.
- (d) The offeror shall not accept orders before the beginning of the period for their submission or after its end.
- (e) Notwithstanding provisions of the opening passage of subsection (a), when an offering is made by a shelf prospectus the offeror may set the

period for submitting orders in the shelf proposal report.

Amendment of a prospectus in special cases

25. (a) If, after a permit for the publication of a prospectus has been granted and before the period for the placing of orders has ended, the Authority learns that something was discovered or has occurred, knowledge of which would have caused it not to permit publication of the prospectus at all, or to permit it only after the introduction of material changes in the draft prospectus, it may order the offeror – after he was given a suitable opportunity to state his arguments – to publish, immediately or not later than on a date set by it, an amendment to the prospectus or an amended prospectus, in such a form and manner as it shall order.
- (b) If an amendment to the prospectus or an amended prospectus was published according to orders from the Authority under subsection (a), the times set in or under this Law shall be postponed, and for this purpose the date on which the amendment to the prospectus or the amended prospectus was published shall be treated like the date of publication of the prospectus, except if the Authority prescribed otherwise.
- (c) Repealed
- (d) The offeror must inform the Authority in writing immediately after he learns of anything that the Authority is likely to take into account for its considerations under subsection (a) and the obligation so to inform also applies to any person who gave an opinion, report or certification included or mentioned in the prospectus with his prior consent; if the offer is made by a person other than the issuer, this obligation shall also apply to the issuer.

Amendment of a prospectus on application by the offeror or in consequence of the publication of financial reports

- 25A. (a) If an offeror wants to change a particular in a prospectus after the permit to publish the prospectus was given and before the end of the period for the submission of orders, he shall submit an application to the Authority, and if he wants to list the securities for trading on a Stock Exchange he shall submit a copy thereof to the Stock Exchange; if the Authority permitted the particular to be changed, he shall amend the prospectus accordingly; the Authority may permit the prospectus to be amended as aforesaid if it finds that doing so is necessary or that amending the prospectus is not liable to impair rights of persons who placed orders for or who acquired the offered securities before the amendment to the prospectus was published; the obligation to apply to the Authority shall not apply to the correction of a particular enumerated in section 16(a1), on condition that the corrected particular is published before the last date for submission of a supplementary notice.
- (b) If financial reports of the offeror, of the issuer or of another body corporate, the financial reports of which were included in the prospectus, are submitted to the Authority after the permit to publish

the prospectus was issued and before the period for the submission of orders ended, the Authority shall order the offeror to publish forthwith, and not later than on a date set by the Authority, an amendment to the prospectus or an amended prospectus, and that in a form and manner that it shall prescribe.

- (c) If the Authority permitted a prospectus to be amended as said in subsection (a) or if it ordered an amendment to the prospectus or an amended prospectus to be published as said in subsection (b), the provisions of section 25(b) shall apply, *mutatis mutandis*.

Treatment of the amendment of a prospectus and of an amended prospectus

- 25B. (a) The amendment of a prospectus and an amended prospectus shall be treated like a prospectus and the provisions of the Law applicable to a prospectus shall apply to them.
- (b) If an amendment of a prospectus or an amended prospectus is published on a date on which the offeror must include updated financial reports in the amendment of the prospectus or in the amended prospectus, the Authority may – under special circumstances – exempt the offeror from including them; if the Authority granted an exemption under this subsection, it may require the offeror to include additional particulars in the amendment of the prospectus or in the amended prospectus, as it shall order, and to publish the reasons for granting the exemption in the same manner and place, in which the amendment of the prospectus or the amended prospectus is published.

Correction of clerical error in prospectus

- 25C. If a prospectus includes a linguistic technical error, a writing error, an incidental omission, a misprint, a copying error or anything similar, the offeror shall immediately make a report thereof as said in section 36(c), publish the correction in the manner in which the supplementary notice was published and attach a copy thereof to each copy of the prospectus.

Cancellation of orders

- 26. (a) If a person placed an order before the publication of an amendment to a prospectus or of an amended prospectus, he may cancel the order until the end of the period for the submission of orders that is prescribed in the corrected prospectus or in the correction of the prospectus.
- (b) When a person has canceled an order under subsection (a), the offeror must – within seven days after the day on which he received notice of the cancellation – refund to him the entire amount that he paid on account of the securities.
- (c) If the Authority ordered publication of an amendment to a prospectus or of an amended prospectus and the offeror does not publish it, the offeror must refund to people who ordered the securities – within seven days after the end of the period set under sections 25(a) or 25A(b), as the case may be – every amount that they paid for the securities; the offeror shall inform the Authority – within the said

period – that the refund was made in accordance with the particulars prescribed in regulations.

Refund of payments

27. (a) If the prospectus prescribes a minimum amount that the offeror expects to obtain through the offer, and if orders to that amount were not placed within the period for the placing of orders, the offeror must – within seven days after the end of the said period – refund to the customers every amount paid by them on account of the securities.
- (b) If the orders placed exceed the total amount of securities offered, the offeror shall –
- (1) make the allocation in the way and manner specified in the prospectus;
 - (2) publish a notice about the allocation said in paragraph (1) in a newspaper according to section 55B within seven days after the end of the period for the submission of orders;
 - (3) refund – within two business days after the date of the allocation – to customers whose orders were partly or wholly rejected, every amount paid by them on account of securities that were not allocated to them.

Investing the money paid for orders

28. (a) The offeror must hold the money paid by customers on account of the securities in a separate trust account with a banking corporation and he must invest it in a manner that effectively maintains the capital and yields a profit, until he has fulfilled his obligations under subsection (b) or until it becomes clear that he has no such obligations.
- (b) If an offeror must refund money under sections 26 or 27, the capital and the profits accrued in the trust account said in subsection (a) up to the date of their actual repayment shall be refunded.
- (c) Notwithstanding the provisions of subsection (a), the Minister of Finance may – in regulations with approval by the Knesset Finance Committee – prescribe how to invest money for orders and instances in which there shall be no obligation to refund profits.

Liability of Directors

29. If the offeror failed to fulfill his obligations under sections 26(b) to 28 and the offeror is a body corporate, the Directors of the body corporate shall, jointly and severally, be liable to persons who placed orders for money that was not refunded to them, except a Director who took all appropriate steps to ensure fulfillment of those obligations.

Notice of the results of an offer

30. Within seven days after the end of the period for placing orders or after the determination of the distribution of securities under section 27(b), the offeror must notify the Authority of the results of the offer by prospectus according to particulars prescribed by regulations.

CHAPTER FIVE: LIABILITY FOR A PROSPECTUS

Liability for damage from a misleading particular in a prospectus

31. (a) (1) Whoever signed a prospectus under section 22 is liable to persons who acquired securities in the sale under the prospectus and to whoever sold or acquired securities in trading on or off the Stock Exchange for any harm caused to him by the fact that the prospectus included a misleading particular.
- (2) The liability under paragraph (1) shall also apply to any person who – when the Board of Directors approved the final version of the prospectus – was a Director of the issuer, its General Manager or a controlling shareholder of it.
- (b) The period of prescription for claims under subsection (a), in respect of which no action was brought, shall be two years after the day of the transaction or seven years after the date of the prospectus, whichever is earlier.
- (c) and (d) *Repealed*

Liability of experts

32. Whoever gave an opinion, report, survey or certification that was included or mentioned in a prospectus with his prior consent shall be liable as said in section 31(a) for any damage caused because the opinion, report, survey or certification that he gave included a misleading particular, including any opinion, report, survey or certification included in the prospectus by referral to them, and the period of prescription for an action under this section shall be as said in section 31(b).

Liability for damage because of forecasts

- 32A. (a) In this section, "**forecast**" – any projection, evaluation, estimate or other information that refers to an event or matter in the future, the realization of which is uncertain and which is not only under the control of the body corporate, other than a forecast, evaluation, estimate or other said information that must be included in financial reports under any statute and under accepted accounting principles and accepted reporting rules.
- (b) The liability under sections 31 and 32 shall not apply to a forecast merely because it was not realized in whole or in part, or because it was realized in a manner different from that forecast, on condition that all the following apply:
- (1) next to said information in the prospectus, opinion, report, survey or certification, as the case may be, it is clearly stated that the information is a forecast;
- (2) next to the said information in the prospectus, opinion, report, survey or certification, as the case may be, are stated the main facts and data that were the basis for the forecast;
- (3) the main factors that must be taken into consideration as liable to cause the forecast not to be realized were clearly emphasized.
- (c) The provisions of subsection (b) do not apply to any person who knew

that the forecast will not be realized; the provisions of this section shall not derogate from the provisions of section 33.

- (d) The provisions of this section shall not derogate from liability under sections 31 and 32 in respect of facts, data or other particulars in the prospectus, opinion, report, survey or certification, as the case may be, which were the basis for the forecasts.

Denial of liability

33. Liability under sections 31 and 32 shall not be incurred –

- (1) by a person who proved that he took all appropriate steps to insure that the prospectus, opinion, report or certificate, as the case may be, does not include a misleading particular and that he believed in good faith that it included no such particular, and who fulfilled his obligation under section 25(d);
- (1a) by an underwriter, who authorized another underwriter to take – on his behalf also – all appropriate steps to assure that there is no misleading particular in the prospectus, if the following two points have been proven:
 - (1) the underwriter who gave the authorization believed in good faith that there is no misleading particular in the prospectus;
 - (2) the obligation under paragraph (1) applies to the underwriter who was so authorized.
- (2) toward a person proven to have acquired the securities while he knew or ought to have known that the prospectus, opinion, report or certificate, as the case may be, included a misleading particular, all as the case may be;
- (3) when the issuer submitted an immediate report as said in section 36(c), in which the misleading particular was corrected, and when he publicized the matter of the correction in the manner in which notice of the prospectus was published under section 23(c)(2), all in respect of persons of whom it has been proved that he acquired the securities after the said publication;
- (4) by a person who delivered written notification to the issuer about the correction of the misleading particular, all toward persons of whom it has been proved that they acquired the securities after 24 hours had passed since the said notice was delivered;
- (5) by a person who did not sign the prospectus and proved that he did not know and was not obligated to know or could not have known of the publication of the prospectus.

Liability of several persons

34. If two or more persons are liable under sections 31 to 33, they shall be liable to the injured party jointly and severally; between them they are mutually liable according to the rules that apply to liability for civil wrongs.

Indemnification is prohibited

34A. (a) An underwriter must not be indemnified for a misleading particular in a prospectus, except only according to the provisions of this section, and any undertaking to indemnify shall not be valid, if it was not made

- in compliance with this section.
- (b) An underwriter may be indemnified for a liability imposed on him or for an expense he incurred, as specified in the paragraphs of section 260(a) of the Companies Law, mutatis mutandis, because there was a misleading particular in a prospectus.
 - (c) Indemnification said in subsection (b) may be given under an undertaking in advance, on condition that the undertaking is in a reasonable amount that was set in advance and is stated in the prospectus, and in respect of an undertaking to indemnify that was given in advance by a body corporate – in an amount that the Board of Directors or a body that holds a similar position determined to be reasonable under the circumstances.
 - (d) No indemnification shall be given, unless it was proven that the underwriter believed in good faith that there is no misleading particular in the prospectus, and indemnification shall also not be given in respect of an act performed intentionally or rashly.
 - (e) One underwriter may indemnify another underwriter of the same offering, and the provisions of subsections (a) to (d) shall not apply to indemnification under this subsection.
 - (f) In this section, "**indemnification**" – whether direct or indirect, including an advance agreement in respect of the manner in which liability due to a Court judgment or to a compromise is to be divided, and exclusive of indemnification by virtue of an insurance contract.

Cancellation of acquisition

35. (a) A person who acquired securities from the offeror in accordance with a prospectus and did so relying on a misleading particular therein may cancel the acquisition and demand refund of the money paid by him, on condition that he does so within a reasonable time after he became aware that the particular was misleading or after an immediate report for the correction of the misleading particular, as said in section 36(c), was published, and not later than two years after the acquisition.
- (b) The right of cancellation under subsection (a) also exists when the issuer is in liquidation.

CHAPTER FIVE "A": DEBENTURES

Article One: Definitions

Definitions

35A. In this Chapter –

"**debentures**" – certificates issued in series by a company, cooperative society or other body corporate that give the right to demand money from the said body corporate on a given date or when a certain condition is fulfilled, and do not give a right of membership or participation in that body corporate, and also said certificates that are convertible into shares or securities that give the right to acquire aforesaid certificates, but exclusive

of certificates issued by the State, issued under a special Law and commercial securities;

"**Trust Law**" – the Trust Law 5739-1979;

"**Holders Meeting**" – a meeting of the holders of a certain series of debentures;

"**postponed Holders Meeting**" – a postponed meeting within its meaning in section 35L12 and 35L13(b);

"**Stock Exchange member**" – a member of the Stock Exchange according to the Stock Exchange by-laws, within the meaning thereof in section 46;

"**foreign company**" – a company registered as a foreign company under section 346 of the Companies Law;

"**holder**", "**debentures holder**" – each of these:

(1) a person to whose credit debentures are registered with a Stock Exchange member and those debentures are included among the debentures that are registered in the name of a nominee company in the Register of Debenture Holders;

(2) a person to whose credit debentures are registered in the Register of Debenture Holders

"**Register of Debenture Holders**" – within its meaning in section 35H2;

"**Register of Trustees**" – within its meaning in section 35C1.

Article Two: A Trustee's Appointment and Qualifications and the Register of Trustees

Must appoint a trustee

35B. (a) A person shall not offer debentures to the public, except if the issuer appointed a trustee for the certificate holders; the first trustee shall be appointed under a trusteeship deed drawn up and signed between the issuer and the trustee and the period of his appointment shall be until the Holders Meeting that the trustee will call under subsection (a1); thereafter the trustee shall be appointed by the Meeting that was called as aforesaid, it shall set the period of his appointment and a Holders Meeting may reappoint him for additional periods.

(a1) Not later than 14 days after the date for submitting the second annual report on the affairs of the trusteeship under section 35H1(a), the trustee shall call a separate Holders Meeting for each series of debentures; the meeting shall convene not later than 60 days after the said report about the affairs of the trusteeship was submitted and its agenda shall include appointing a trustee for the debentures for a period that it shall set and a discussion of the annual report about the affairs of the trusteeship, as well as any other subject prescribed in the agenda as said in section 35L2.

(b) The provisions of the Trust Law shall apply to trusteeships under this Chapter, if this Chapter does not make another provision, on condition that –

(1) in respect of section 11 of the Trust Law the provisions of sections 3(c), 7, 9(a), 10(d) and 13 of the said Law shall not be

- stipulated;
- (2) the provisions of section 13 of the Trust Law shall also apply – in respect of trusteeships under this Chapter – to the person who holds the position of trustee.

Conditions for service as a trustee

35C. The trustee must be a company registered in Israel, the main purpose of which is to engage in trusteeship (hereafter: trust company).

List of circumstances that indicate a fault in credibility

35C3. The Authority shall prescribe a list of circumstances that may indicate a fault in the credibility of a trustee, of its controlling shareholder or of an officer in either of them; a said list shall be posted on the Authority's Internet site and shall go into effect 30 days after it was posted, but any change in the list shall not apply to a proceeding that is pending under this section; notice that the list has been posted, of any change in it and of the dates of effect shall be published in Reshumot.

35D. Repealed

Restrictions on serving as trustee for holders of a certain series of debentures

35E. A person shall not serve as trustee for holders of a certain series of debentures if one of the following holds true for him:

- (1) its controlling shareholder, its officer or a relative of either of these is an officer of the issuer of the debentures of that series or of a controlling shareholder of the said issuer, or he is an officer of a body corporate controlled by one of them;
- (2) there are circumstances, because of which a conflict is liable to arise between its benefit, the benefit of its controlling shareholder or of the relative of a said controlling shareholder, or the benefit of a body corporate controlled by any of them and the benefit of the holders of debentures of that series.

Trusteeship deed

35F. (a) The trusteeship deed shall, inter alia, include the following:

- (1) the total of obligations that the issuer or a third party assumed according to the debentures, and – if they are secured by encumbrances on assets, by guaranties or other undertakings (in this Chapter: collateral) – descriptions of the collateral and of the circumstances under which it can be enforced;
- (2) if collateral was designated according to paragraph (1) – a statement of the restrictions on changes of the collateral and of its conditions, as said in section 35G1, and a description of the mechanism for the change of collateral, as far as that was prescribed according to the provisions of that section;
- (3) the conditions and circumstances, as far as prescribed, under which the trustee or the holders will be entitled to demand the immediate payment of the amount due under the debentures or

- under the collateral given to secure the issuer's obligations under the debentures, in addition to the grounds for demanding immediate repayment or realization of the collateral specified in section 35I1(a);
- (3a) if the offered debentures are of the categories enumerated in Schedule Three "A1", that fact shall be stated, as well as the provisions that shall not apply, as prescribed in that Schedule;
 - (4) the trustee's obligation to call meetings of holders of debentures, the times for them, how they are to be conducted and how resolutions are to be conducted at them;
 - (5) the trustee's remuneration, stated as an amount or as a proportion of the total obligation under the debentures, the times for its payment and the ways of the holders' participation in paying the remuneration of the trustee who was appointed under section 35E1(a);
 - (6) the restrictions in respect of the trustee's signature on the trusteeship deed said in section 35I(b).
- (b) The Minister of Finance may, in regulations after consultation with the Authority and with approval by the Knesset Finance Committee, prescribe additional matters to be included in a trusteeship deed.

Changes in trusteeship deed

35G. A change must not be made in a trusteeship deed, except when one of the following holds true:

- (1) the trustee is convinced that the change does not harm the holders of debentures; the provisions of this paragraph shall not apply to a change of the trustee's identity or of his remuneration in the trusteeship deed, in order to appoint a trustee in place of the trustee whose term of service ended;
- (2) the holders of the debentures agreed to the change by a resolution adopted at a Holders' Meeting attended by holders of at least 50% of the outstanding face value of debentures of that series, by a majority of the holders of at least two thirds of the nominal value of the debentures represented at the vote or by some other majority prescribed in the trusteeship deed, whichever is greater, or by a said majority at a postponed meeting attended by the holders of at least 20% of the said balance.

Restrictions on changes of the collateral

35G1. If debentures were issued with some or all of the issuer's obligations under them secured by collateral, no change shall be made in the said collateral or in its conditions, except when the provisions of paragraphs (1) or (2) of section 35G have been complied with, or according to a mechanism prescribed in the trusteeship deed that reasonably assures that the holders' rights will not be harmed in consequence of a change in the collateral; the Minister of Finance may – on the Authority's proposal or after consultation with it and with approval by the Knesset Finance Committee – prescribe provisions in respect of the said mechanism.

**Article Three: The Trustee's Obligations and Powers
and Restrictions on His Activities**

Obligations of a trustee

- 35H. (a) The trustee must act for the benefit of all holders of debentures and he shall act with care, good faith and diligence, shall not prefer the interest of one debenture holder to that of another and shall not, within the scope of his responsibility, entertain considerations that do not stem from the fact that debentures are held by holders whose trustee he is.
- (b) The trustee shall take all steps necessary to secure the issuer's obligations toward the holders of the debentures for which he is the trustee, and as part thereof he shall –
- (1) take all steps necessary to ascertain – before money is paid to the issuer on account of the debentures – the validity of the collateral given by the issuer or by a third party for the benefit of the holders of the debentures; the trustee is responsible toward the holders of debentures that the said collateral is described fully and correctly in the prospectus under which the debentures are offered;
 - (2) examine from time to time and at least once a year the validity of the collateral said in paragraph (1), and – if the trustee believes that doing so is necessary for the said examination – he may examine the assets that are encumbered to the benefit of the debenture holders;
 - (3) he shall examine whether the issuer complies with his obligations toward the debenture holders and that includes checking whether there are grounds for demanding an immediate repayment.
- (c) If the trustee learns of a substantive violation of the trusteeship deed by the issuer, he shall inform the holders of the debentures of the violation and of the steps that he took to prevent it or to assure that the issuer's obligations will be honored, as the case may be.
- (d) The trustee shall participate – without the right to vote – in the issuer's general meeting.
- (d1) (1) If the trustee concludes that there is a reasonable apprehension that the issuer will not be able to meet his existing obligations and his future obligations when their due date arrives, he shall examine the circumstances that cause the said apprehension and he shall act for the holders' protection in the manner he deems most appropriate; without derogating from the trustee's powers and obligations under this Law or under the trusteeship deed, he may, inter alia –
- (a) check whether the said circumstances stem from acts or transactions by the issuer, including distributions, as defined in the Companies Law, made in violation of any statute; however, the trustee shall not make a said check, if

- an expert, within the meaning thereof in section 350R of the said Law, was appointed for the debenture holders and it is his responsibility to make it;
- (b) negotiate with the issuer in the name of the debenture holders in order to change the conditions of the debentures.
- (2) In this context, a meeting of debenture holders called by the trustee in order to receive instructions how to act shall not be deemed a violation of his duty, provided that the very call to a meeting does not have a substantively negative effect on the holders' rights.
- (d2) If a meeting of debenture holders was called as said in subsection (d1) and if a decision was duly adopted by the meeting, the trustee shall act according to the decision; if he does so, his act according to that decision shall be deemed compliance with this section's provisions on the decision.
- (d3) The Court may, on a petition by a debenture holder, order the trustee to perform a certain act, if it concluded that not performing it would constitute a violation of the trustee's obligation toward the debenture holders under the provisions of this Chapter or under the trusteeship deed, or it may order him to abstain from a certain act, if it concluded that performing it would constitute a said violation.
- (e) Repealed
- (f) Repealed

Trustee's reporting obligations

- 35H1. (a) The trustee must submit an annual report about the affairs of the trusteeship to the Authority and to the Stock Exchange.
- (b) The trustee must submit a report about acts he performed under the provisions of this Chapter at reasonable demands by holders of at least 10% of the nominal value balance of the debentures of that series, within a reasonable time after the demand, all subject to the obligation of confidentiality that the trustee owes the issuer, as said in section 35J(d).
- (c) Upon a demand of the Authority Chairman or of an employee whom he so authorized, the trustee must –
- (1) submit a report about acts he performed under the provisions of this Chapter within a time prescribed in the demand, which shall not be earlier than the date set for the submission of reports or notices that was set under subsection (e), if he concluded that the said information is important for reasonable investors for the protection of their interest;
- (2) give the Authority, in writing within the time that will be set in the demand, any explanation, detail, information and documents connected to particulars included in the reports or notices under this section;
- (3) submit a report that corrects a report or notice submitted under this section within the time that will be set in the demand, if it was concluded that the submitted report or notice is not as

- required under this section or that particulars communicated under paragraph (2) make it necessary that a said order be given.
- (d) The trustee shall inform the issuer before reporting under this section.
 - (e) The Minister of Finance shall – on the Authority's proposal or after consultation with it and with approval by the Knesset Finance Committee – prescribe provisions about additional reports or notices that the trustee must submit to the Authority or to the Stock Exchange, about the particulars to be included in reports or notices that must be submitted under subsection (a) or under this subsection, about their form, when they are to be drawn up and submitted and about informing the issuer about said reports.
 - (f) If the Authority Chairman or an Authority employee whom he so authorized are convinced that the trustee cannot submit a report or notice under this section at the time set therefor under subsection (e), he may extend the time for its submission.

Register of debenture holders

35H2. The issuer shall keep a Register of holders of debentures that he issued, which shall be open for inspection by all persons (in this Chapter: the Register).

Contents of the Register of debenture holders

- 35H3. (a) In the Register shall be entered –
- (1) the number of debentures issued to the public, stating the series, the nominal value and the due date;
 - (2) the number of debentures held by all debenture holders;
 - (3) the name, ID number and address of every person who holds debentures;
 - (4) the issue date of the debentures or the date on which they were transferred to the holder, as the case may be;
 - (5) if the debenture were given serial numbers, the issuer shall state, next to the name of each holder, the numbers of the debentures registered in his name.
- (b) The provisions of sections 130(b), 131 to 134 and 299 of the Companies Law, which apply to share holders and to share holders who are trustees, shall apply – with adjustments and mutatis mutandis – to debenture holders and to persons who hold debenture in trust.

Representation by the trustee and relevance of his signature on the trusteeship deed

- 35I. (a) The trustee shall represent the holders of debentures in any matter that stems from the issuer's obligations toward them and to that end he may act in order to exercise the rights vested in the holders under this Law or under the trusteeship deed.
- (b) The trustee's signature on the trusteeship deed does not constitute an expression of his opinion on the quality of the offered securities or on the economic justification for investing them.

The trustee's and the holder's power to demand immediate repayment or

to realize collateral

- 35J. (a) The trustee and also the debenture holders may demand immediate repayment of the amount owed to the holders according to the debentures or they may realize collateral that was given to secure the issuer's obligations under the debentures toward the holders, if grounds specified below arose or if the conditions or circumstances prescribed – as far as they were prescribed in the trusteeship deed - occurred (in this section: grounds for demanding immediate payment or the realization of collateral):
- (1) a substantive deterioration occurred in the issuer's business, compared to its condition at the time of the issue, and there is a real apprehension that he will not be able to pay the debenture on time;
 - (2) the debentures were not paid on time or some other substantive undertaking to the holders' benefit was not fulfilled;
 - (3) the issuer did not publish a financial report that he must publish under any statute within 30 days after the last date on which he must publish it;
 - (4) the debentures were delisted from trading on the Stock Exchange.
- (b) The trustee or the holders shall not demand immediate repayment of debentures and shall not realize collateral under subsection (a), except after they gave the issuer notice of their intention to do so; however, a trustee or the holders do not have to give the issuer a said notice, if there is a real apprehension that giving the notice may interfere with the possibility to demand immediate payment of the debentures or to realize collateral.
- (c) If the trusteeship deed sets a reasonable time during which the issuer may act or make a decision, in consequence of which the grounds for demanding immediate payment or to realize collateral will be eliminated, the trustee or the holders may demand immediate payment of the debentures under subsection (a) only after the said period passed and the grounds have not been eliminated; however, the trustee may shorten the period set in the trusteeship deed, if he concluded that it can substantively infringe the holders' rights.
- (d) A decision by holders to demand the immediate payment of debentures or to realize collateral under subsection (a) shall be adopted at a Holders Meeting at which the holders of at least 50% of the nominal value balance of the debentures of that series participate, by holders of debentures with a majority of the balance of nominal value represented at the vote, or by a said majority at a postponed Holders Meeting where holders of at least 20% of the said balance were present.
- (e) The provisions of this section cannot be made conditional, except to the holders' benefit.
- (f) The provisions of this section that are listed in Column C of Schedule Three "A1" shall not apply in respect of debentures of the kind named next to them in Column A of the said Schedule and issued by an issuer named in Column B of the same Schedule.

- (g) The Minister of Finance may, by order – on the Authority's proposal or after consultation with it and with approval by the Knesset Finance Committee – change Schedule Three "A1"; a said order in respect of debentures issued by a banking corporation or by the subsidiary of a said corporation shall be made after consultation with the Supervisor of Banks who was appointed under section 5 of the Banking Ordinance 1941.

Reporting or transmitting information by an issuer or Stock Exchange member to a trustee

- 35J. (a) The Minister of Finance shall – on the Authority's proposal or after consultation with it and with approval by the Knesset Finance Committee – prescribe provisions about the reports or notices that an issuer shall give to the trustee, and also about the particulars to be included in them, their form, the dates for drawing them up and for their submission.
- (b) In addition to the reports or notices under subsection (a), the issuer shall also give the trustee other information according to the trustee's reasonable demands.
- (c) Stock Exchange members shall give the trustee, on his demand, lists of debenture holders registered with them.
- (d) The trustee shall keep information that he received under this section confidential, shall not disclose it to others and shall not use it, except when its disclosure or use is required for the exercise of the trustee's responsibility under this Law, under the trusteeship deed or under a Court order.

Prohibit acquisition and possession of debentures

- 35K. A trustee, an officer of a trustee, an employee of a trustee or any person engaged by the trustee for the exercise of his responsibility shall not acquire and shall not hold for his own account debentures of a series that is subject to the trusteeship, and he shall not hold, for his own account, securities of the issuer or of its parent company, subsidiary or associated company, except by a permit that the Minister of Finance prescribed on the Authority's proposal or after consultation with it, and a permit may be general or for categories of said securities.

Restriction on the performance of securities transactions

- 35L. A trustee, an officer of a trustee, a trustee's employee or any person engaged by the trustee for the exercise of his responsibility shall not carry out – on behalf of another under a power of attorney that gives him discretion – transactions in securities that are the subject of the trusteeship, except by a permit said in section 35K.

Article Four: Holders Meeting

Holdings Meeting

- 35L1. (a) The trustee shall convene a Holders Meeting, if he deems that necessary or on the demand of one or several holders of debentures of a certain series who hold at least 5% of the nominal value balance of the debentures of that series.
- (b) A trustee required to convene a Holders Meeting under the provisions of subsection (a) shall call it within 21 days after the demand was given him, for a date that he shall prescribe in the invitation, on condition that the date of the meeting not be earlier than seven days and not later than 21 days after the date of the invitation; however, the trustee may advance the date of the meeting to at least one day after the invitation, if he believes that necessary in order to protect the holders' rights and subject to the provisions of section 35L24; if he did so, he shall explain in the report about calling the meeting why he advanced the date of the meeting.
- (c) If the trustee did not convene a Holders Meeting on a holder's demand within the time said in subsection (b), the holder may convene the meeting on condition that the date of the meeting be within 14 days after the end of the period for convening a meeting by the trustee, and the trustee shall bear the expenses incurred by the holder in connection with calling the meeting.

Agenda of a Holders Meeting

- 35L2. (a) The trustee shall prescribe the agenda of the Holders Meeting and he shall include in it subjects that made it necessary to convene the meeting under section 35L1, as well as subjects that were requested as said in subsection (b).
- (b) One or several holders of debentures, who have at least 5% of the nominal value balance of the series of debentures, may request that the trustee include a subject in the agenda of a Holders Meeting that will meet in the future, on condition that the subject is fit to be discussed at a said meeting; the Minister of Finance may – on the Authority's proposal or after consultation with it and with approval by the Knesset Finance Committee – prescribe provisions for purposes of this subsection, including when the request is to be submitted.
- (c) At a Holders Meeting decisions shall be adopted only on subjects that are specified in the agenda.

Voting at a Holders Meeting

- 35L3. (a) A holder of debentures may vote at a Holders Meeting, in person or by a proxy or also by a ballot on which he shall state how he votes according to the provisions of subsection (b).
- (b) Ballots shall be sent by the trustee to all debenture holders; a debenture holder may indicate on the ballot how he votes and send it to the trustee.
- (c) A ballot on which a debenture holder indicated how he votes and which reached the trustee by the final date prescribed for that purpose shall, in respect of the quorum said in section 35L13, be treated like being present at the meeting.
- (d) A ballot received by the trustee as said in subsection (c) in respect of a

certain matter on which a vote was not taken at the Holders Meeting shall be treated like an abstention in that meeting's vote whether to hold a deferred Holders Meeting under the provision of section 35L12 and it shall be counted at the deferred Holders Meeting that will be held according to the provisions of sections 35L12 or 35L14.

- (e) If a holder of a debenture certificates votes in more than one manner, his latest vote will be counted; For this purpose, a vote by a debenture certificate owner himself or by proxy will be counted as later than a voting by ballot.

Obligation of a debenture holder

35L4.A holder of debentures shall refrain from abusing his right to vote at a Holders Meeting.

Debentures holder who is a controlling shareholder

35L5.A holder of debentures who is a controlling shareholder of the issuer, his relative or a body corporate controlled by either of them, shall not be taken into account for purposes of the quorum at a Holders Meeting and their votes shall not be counted in a vote at a said meeting.

Holders Meeting called by the Court

- 35L6.(a) If a Holders Meeting did not take place as said in section 35B(a1) or in section 35L1, the Court may – on a petition by a debentures holder – order that it be convened.
- (b) If the Court ordered as aforesaid, the trustee shall bear the reasonable expenses incurred by the petitioner on Court proceedings, as the Court prescribed.

Notice of a Holders Meeting and its contents

- 35L7.(a) Notice of a Holders Meeting shall be published under the provisions of Chapter Seven "A" and shall be given to the issuer as said in section 35H1(d) and (e).
- (b) The notice shall include the agenda, the proposed resolutions and also the arrangements for written votes under the provisions of section 35L3.

Regulations about resolutions at Holders Meetings

35L8.The Minister of Finance may – on the Authority's proposal or after consultation with it and with approval by the Knesset Finance Committee – prescribe that when the text of resolutions was spelled out in the summons or notice, the Holders Meeting may adopt resolutions that differ from the text of the resolutions that was on the agenda, on subjects and according to criteria that he shall prescribe.

Proving ownership of debentures

35L9.A holder of debentures who wants to vote at a Holders Meeting is unconditionally entitled to receive from the Stock Exchange member through whom the debentures are held certification that proves his ownership of the debentures in a manner that the Minister of Finance shall

prescribe; the Minister of Finance may – on the Authority's proposal or after consultation with it and with approval by the Knesset Finance Committee – prescribe circumstances and conditions under which payment shall be required for a certification of ownership, the amount of the payment and the maximum payment.

Meeting called by the Court

35L10. If there is no practical possibility to convene or to conduct a Holders Meeting in the manner prescribed therefor in the trusteeship deed or in this Law, the Court may – on a petition by the liquidator, by a debentures holder entitled to vote at the meeting or by the trustee – order that a meeting be called and conducted in the manner prescribed by the Court and to that end it may give supplementary instructions that it deems appropriate.

Meeting in Israel

35L11. A Holders Meeting under this Chapter shall be held in Israel.

Postponement of a Holders Meeting

- 35L12. (a) A Holders Meeting with a quorum or the trustee may decide to postpone the meeting, the deliberations or the adoption of a resolution on a subject specified in the agenda to some other date and place that shall be prescribed; at a postponed Holders Meeting nothing shall be discussed, except subjects that were on the agenda and for which no decision were adopted.
- (b) If a Holders Meeting was postponed without any change in the agenda, invitations for the new date shall be issued as soon as possible and not later than twelve hours before the Holders Meeting; the said invitations shall be given according to section 35L7.

Quorum at a Holders Meeting

- 35L13. (a) The quorum for conducting a Holders Meeting is the presence of at least two debenture holders who have at least 25% of the voting rights, within half an hour after the time set for opening the meeting, except when a different requirement is prescribed in this Law.
- (b) If a quorum is not present at a Holders Meeting half an hour after the time set for opening the meeting, the meeting shall be postponed to a different time that is not sooner than two business days after the date set for holding the original meeting, or not sooner than one business day, if the trustee believes that necessary in order to protect the debenture holders' rights; if the meeting was postponed, the trustee shall explain the reasons for doing so in the report on calling the meeting.

Quorum at a postponed Holders Meeting

- 35L14.(a) If a quorum is not present at a postponed Holders Meeting said on section 35L13 half an hour after the time set for it, the meeting shall be held with any number of participants whatsoever, except if there is a different requirement in this Law.
- (b) Notwithstanding the provisions of subsection (a), if a Holders Meeting

was convened on the demand of holders as said in section 35L1(a), the postponed Holders Meeting shall be held only if at least the number of debenture holders necessary for calling a said meeting, as said in that section, are present.

*

Chairman of a Holders Meeting

35L15. At every Holders Meeting the trustee or a person he nominated shall be chairman.

Count of votes

35L16. At a Holders Meeting resolutions shall be adopted by a count of votes.

Majority at a Holders Meeting

35L17. At a Holders Meeting decisions shall be adopted by an ordinary majority, except if a different majority is prescribed in the Law or in the trusteeship deed.

Declaration as evidence

35L18. The chairman's declaration that at a Holders Meeting a decision of was adopted or rejected, whether unanimously or by a certain majority, shall be a priori evidence of its content.

Freedom to stipulate

35L19. It is possible to stipulate in the trusteeship deed the contents of some or all of the sections 35L12(a), 35L13(a), 35L14(a) and 35L16 to 35L18.

Addressing debenture holders

- 35L20. (a) The trustee, as well as one or several debenture holders who hold at least 5% of the nominal value balance of debentures of that series through the trustee, may address the debenture holders in writing, in order to convince them how to vote on any subject up for discussion at that meeting (in this Article: statement of position).
- (b) When a Holders Meeting has been called under section 35L1, a debenture holder may apply to the trustee and ask him to publish on his behalf – according to the provisions of Chapter Seven "A" – a statement of position to other debenture holders.
- (c) The trustee or the issuer may send a statement of position to the debenture holders, in response to a statement of position that was sent as said in subsection (a) or (b) or in response to anything else that was addressed to the debenture holders.
- (d) Subject to the provisions of section 35L21(4), a holder is unconditionally entitled to receive a ballot from the Stock Exchange member through whom the debentures are held; for this purpose, "**holder**" – as defined in paragraph (1) of the definition of "holder", "debentures holder".

Regulations

35L21 The Minister of Finance may – on the Authority's proposal or after consultation with it and with approval by the Knesset Finance Committee –

prescribe provisions on ballots and statements of position under sections 35L3 and 35L20, inter alia on these matters:

- (1) how ballots and statements of position are to be delivered to debenture holders or how they are to be published as an alternative to delivery, also through Stock Exchange members, through a body corporate under their control or through some other body corporate, the obligation to attach certification of the ownership of debentures on the determining date, as well as dates and schedules for implementation of the acts required in order to accomplish what is prescribed in this Article;
- (2) the maximum consideration that shall be paid for sending a ballot or statement of position and how the payments and expenses for the aforesaid dispatch are to be charged against the various participating factors;
- (3) how the implementation of provisions under this Article is to be supervised, including the obligation to keep records of the implementation of provisions that he designated;
- (4) a pattern for the formulation of ballots and statements of position to which this Article applies.

Minutes of Holders Meetings

- 35L22. (a) A trustee shall write minutes of Holders Meetings and keep them in his registered office for seven years after the date of the meeting.
- (b) Minutes signed by the chairman of a meeting shall be a priori evidence of their content.
- (c) A register of minutes of Holders Meetings shall be kept in the trustee's registered office, shall be open for viewing by debenture holders and a copy thereof shall be sent to every debenture holder who so requested.

Faulty meeting

- 35L23. (a) The Court may, on the petition of a debenture holder, order the cancellation of a decision adopted by a Holders Meeting that was convened or conducted not in compliance with the conditions prescribed therefor under this Law or under the trusteeship deed.
- (b) If the fault was connected to a notice about the time or place of the meeting, a debenture holder who came to the meeting in spite of the fault shall not be able to demand cancellation of the decision.

Determining date for the ownership of debentures

- 35L24. (a) Persons who held debentures on the date prescribed in the decision to call a Holders Meeting shall be debenture holders entitled to participate and to vote at the Holders Meeting, on condition that that date is not more than three days and not less than one day before the date of the Holders Meeting.
- (b) The Minister of Finance may – on the Authority's proposal or after consultation with it and with approval by the Knesset Finance Committee – prescribe other provisions on dates said in subsection (a), if that is necessary for voting by ballot, as said in section 35L3.

Checking on conflicts of interest

- 35L25. (a) When a Holders Meeting has been called, the trustee shall check whether among the holders there are conflicts of interests between an interest that derives from holding debentures and their other interests, as the trustee shall determine (in this section: other interest); the trustee may require a holder who participates in the Holders Meeting to inform him before the vote of any other interest that he has and whether he has such a conflict of interests.
- (b) When counting the votes that were cast at a Holders Meeting the trustee shall not take into account the votes of holders who did not respond to his demand said in subsection (a) or of holders in respect of whom he found that there are conflicts of interest said in that subsection (in this section: holders with a conflicting interest).
- (c) Notwithstanding the provisions of subsection (b), if the holdings of participants in the vote who do not have conflicting interests are less than 5% of the nominal value balance of that series, the trustee shall also take the votes of holders with conflicting interests into account.

Calling a Holders Meeting for consultation

- 35L26. (a) The provisions of sections 35L1 and 35L2 shall not derogate from the trustee's power to convene a Holders Meeting, if he deems a consultation with them necessary; in the call for such a meeting the subjects on the agenda shall not be specified and it shall convene at least one day after it was called.
- (b) At a meeting said in subsection (a) no vote shall be taken, no decisions shall be adopted and the provisions of sections 35L1, 35L2, 35L3, 35L6, 35L7(b), 35L12, 35L13, 35L14, 35L20(b), 35L21 and 35L24 shall not apply to it.

Article Five: General Provisions**Validity of actions**

- 35M. Actions taken by a trustee shall be valid, notwithstanding any fault discovered in his appointment or qualification.

Termination of a trustee's term

- 35N. (a) The term of a trustee's service ends before the end of the period of his appointment, as said in section 35B(a), if –
- (1) paragraph (1) or (2) of section 35C2(a) applies to him;
 - (2) repealed
 - (3) one of the circumstances enumerated in section 35E holds true for him.
- (b) A trustee may resign by a written notice to whoever appointed him; a trustee's resignation shall be in effect only if approved by the Court and that from the day set in the approval.
- (c) The Court may discharge a trustee if he did not duly perform his function or if the Court found another reason for discharging him.

- (d) Persons who hold 5% of the nominal value balance of the debentures of a certain series may call a general meeting of the holders of debentures of that series, and the meeting may decide to remove the trustee from his position, on condition that holders of at least 50% of the nominal value balance of the debentures of that series are present at the meeting, and in respect of a postponed Holders Meeting – that holders of at least 10% of the said balance are present.
- (e) A trustee whose term of service ended or lapsed under section 35B(a) shall continue to serve until another trustee is appointed in his place; the other trustee shall be appointed by the Holders Meeting convened by the trustee whose term of service ended or lapsed or by the holders, all according to the provisions of subsection (d).
- (e1) If the term of service of a trustee ended or lapsed under section 35B(a) or under this section and no other trustee was appointed in his place within a reasonable time, the Court may appoint another trustee in his place for a period and on conditions that it deems appropriate.
- (f) The issuer and the trustee shall deliver to the Authority an immediate report, as said in section 36(c), on any event said in subsections (a) to (e1).
- (g) The Authority also may apply to the Court under this section.

Appearance of the Authority in proceedings

- 35O. (a) If a trustee for debentures applied to the Court, or if another person applied to the Court in proceedings to which a trustee for debentures is party, the trustee shall so inform the Authority and the Stock Exchange in writing.
- (b) If the Authority chairman concludes that the interest of the holders of debentures of a certain series is or is liable to be affected by or involved in a certain civil proceeding before a Court, he may appear in that proceeding and have his say.

Securities offerings by the State

35P. The provisions of Chapters Three, Four, Five and Five "A" shall apply to offerings of securities by the State to the public.

Regulations on the determining date for the payment of capital or interest under debentures

35P1. The holders of debentures entitled to payments of capital or interest according to the conditions of the debentures that were issued to the public and that are listed for trading on the Stock Exchange are those who hold the debentures on a date that the Minister of Finance shall prescribe on the Authority's proposal or after consultation with it and with approval of the Knesset Finance Committee.

Exemption from the provisions of the Chapter

35P2. The Authority Chairman may exempt from some or all of the provisions of this Chapter a body corporate that offers the public in Israel debentures that are listed for trading on a Stock Exchange abroad or that will be listed for trading there immediately after the prospectus is published, or for the

holders of which a trustee was appointed under some other Law that applies to the body corporate, if he concluded that the Law that applies to the body corporate sufficiently secures the interests of the investing public in Israel; the Authority Chairman may set conditions for granting a said exemption.

CHAPTER FIVE "B": OPTIONS

Definitions

35P3. In this Chapter –

"**meeting of option holders**" – a meeting of holders of options of a certain series;

"**Stock Exchange member**" – whoever is a member of the Stock Exchange according to the Stock Exchange By-laws, within their meaning in section 46;

"**option**" – a security issued by a body corporate to the public, which gives its holder the right to acquire shares, participation certificates traded on the Exchange or debentures, as defined in section 35A that the said body corporate will issue at the time and on the conditions determined therefor against an amount of money that shall be paid when the said shares, participation certificates or debentures are acquired;

"**register of option holders**" – a register of option holders according to sections 35I5 and 35I6.

Option holder

35P4. Each of the following is an option holder:

- (1) a person to whose credit an option is registered with an Exchange member and that option is included among the options registered in the register of option holders in the name of a nominee company;
- (2) a person to whose credit an option is registered in the register of option holders.

Register of option holders

35P5. The issuer shall keep a register of holders of options that he issued and it shall be open to for viewing by the public.

Contents of the register of option holders

35P6. (a) In the register of option holders shall be entered –

- (1) the number of options issued to the public, stating the series;
- (2) the number of options held by all option holders;
- (3) the name, ID number and address of each person who holds options;
- (4) the issue date of options or the date of their transfer to holders, as the case may be;
- (5) if options were given serial numbers, the issuer shall state next to the name of each option holder the numbers of the options that are registered in his name.

- (b) The provisions of sections 130(b), 131 to 134 and 299 of the Companies Law, which apply to share holders who are trustees, shall apply, respectively and mutatis mutandis, to option holders and to

holders of options in trust.

Proving ownership of an option

35P7. An option holder who wants to vote at a meeting of option holders is entitled to receive from the Stock Exchange member through whom the option is held certification that proves his ownership of the option, and that in a manner that the Minister of Finance shall prescribe with approval by the Knesset Science and Technology Committee.

Voting at a meeting of option holders

- 35P8. (a) An option holder is entitled to vote at a meeting of option holders, in person or by a proxy and also by used of a ballot in which he indicates how he votes, and under the provisions of subsection (b).
- (b) A ballot shall be sent by the body corporate to each option holder; an option holder may indicate on the ballot how he votes and send it to the body corporate.
- (c) A ballot on which an option holder indicated how he votes, which reached the body corporate by the latest date that was prescribed, shall be deemed presence at the meeting for purposes of determining whether there is a quorum.
- (d) A ballot that was received by the body corporate as said in subsection (c) in respect of a certain matter on which a vote was not taken at the meeting of option holders shall be deemed an abstention in the vote of that meeting on whether to hold a delayed meeting of option holders and it shall be counted at the delayed meeting.
- (e) Subject to the provisions of section 35P9(4), an option holder within the meaning thereof in section 35P4(1) is unconditionally entitled to receive a ballot from the Stock Exchange member through whom the options are held.
- (f) If an option holder voted in more than one way, his latest vote shall be counted; for this purpose, the vote of the debenture holder himself or by proxy shall be deemed later than a vote by ballot.

Regulations

35P9. The Minister of Finance may, upon the Authority's proposal or after consultation with it, in consultation with the Minister of Justice and with approval by the Knesset Science and Technology Committee, prescribe provisions on ballots under section 35P8, inter alia about these matters:

- (1) how ballots are to be delivered to option holders or their publication as a substitute for delivery, and how the ballots are to be sent, also through Stock Exchange members or through a body corporate they control or through some other body corporate, the obligation to attach certification of ownership of the options on the prescribed date, as well as dates and schedules from the performance of the acts needed in order to implement the provisions of this Chapter;
- (2) the maximum consideration payable for the dispatch of a ballot and the manner in which the payments and costs of the said dispatch shall be charged to the various factors that participate in it;
- (3) supervision over the implementation of the provisions under this

- Chapter, including the obligation to keep records on the implementation of prescribed provisions;
- (4) the format of a ballot on subjects to which this Chapter applies.

CHAPTER FIVE "C": SECURITIES LISTED FOR TRADING ON A STOCK EXCHANGE ABROAD

Registration of securities of a foreign corporation

35Q. Securities of a foreign body corporate may be listed for trading on a Stock Exchange by a registration document according to the provisions of this Chapter, if the securities that the body corporate desires to list are listed for trading on a Stock Exchange abroad during a period set by the Minister of Finance; the Minister of Finance may set different periods or not set any period by Stock Exchanges abroad and by the value of the securities of the body corporate.

Designation of Stock Exchange in Schedule Three

35R. The Minister of Finance may – on the Authority's recommendation or in consultation with it and with approval by the Knesset Finance Committee – designate in Schedule Three a Stock Exchange abroad that is not designated in Schedule Two, if he concluded that its rules and the Law applicable to bodies corporate incorporated in Israel, the securities of which are there listed for trading, together with additional particulars that will be included in the registration document as prescribed according to the provisions of section 35T(a)(2), sufficiently protect the interests of the investing public in Israel.

Change of Schedule

- 35S. (a) The Minister of Finance may – on the Authority's recommendation or in consultation with it and with approval by the Knesset Finance Committee – remove a Stock Exchange abroad from Schedule Two and Schedule Three, if he concluded that, because of a substantive change of its rules and of the Law applicable to bodies corporate incorporated in Israel, the securities of which are there listed for trading, the interests of the investing public in Israel are no longer sufficiently protected.
- (b) Without derogating from the provisions of subsection (a), the Minister may – upon a proposal of the Authority or after consultation with it – change Schedules Two and Three by Order, provided that the case is one of a name change prescribed by a Stock Exchange, a Stock Exchange abroad, a trading list or an organized market, or of a split or merger of trading lists that a Stock Exchange, a Stock Exchange abroad or an organized market announced.

Registration document

35T. (a) On the Authority's recommendation or in consultation with it and with approval by the Knesset Finance Committee, the Minister shall make regulations on the structure and form of the registration document and

on the identifying particulars of the foreign corporation, of its securities and of those who hold them that shall be included in the registration document; the regulations shall also prescribe that the registration document include –

- (1) in respect of a foreign corporation, the securities of which are listed for trading on a Stock Exchange abroad that is listed in Schedule Two – documents that the body corporate must publish or submit under the foreign Law and documents that the body corporate published;
 - (2) in respect of a foreign corporation, the securities of which are listed for trading on a Stock Exchange abroad that is listed in Schedule Three – documents as said in paragraph (1) and also additional particulars that he shall prescribe; regulations under this paragraph may be made by categories of securities, of Stock Exchanges abroad, of bodies corporate abroad or according to any other classification.
- (b) The registration document shall be signed by the foreign corporation and it shall bear a date that is not earlier than one day before its publication.

Exempt of disclosure

35U The provisions of section 36C shall apply, mutatis mutandis, to any particular that must be included in a registration document under the provisions of this Chapter and that is not required under the foreign Law.

Publication of the registration document

- 35V. (a) The foreign corporation shall submit the registration document to the Authority, to the Registrar and to the Stock Exchange, and within one business day after its submission it shall publish a notice thereof in a newspaper according to section 55B.
- (b) The Authority may order the foreign corporation to distribute copies of the registration document in places and in quantities as it shall order.
- (c) Repealed

Time for registration for trading

- 35W (a) The securities offered under a registration document shall be listed for trading on a Stock Exchange on a date that is not earlier than the third trading day after the registration document was submitted under section 35V(a), and not later than one month after its submission.
- (b) If, during the period said in subsection (a), the foreign corporation would have been under obligation to submit reports or notices under the provisions of section 35EE, had the offered securities been listed for trading on a Stock Exchange at that time, those documents shall also be submitted not later than the day on which the securities of that body corporate begin to be traded on a Stock Exchange.

Power to order completion of particulars

- 35X. (a) A foreign corporation shall deliver to the Authority in writing – on its

demand or on that of an employee authorized by it and within a period set by them – explanations, details, information and documents connected to particulars included in the registration document or required under the foreign Law; the Authority or the employee authorized by it may approach the body charged with supervision or enforcement under the foreign Law before they approach the said foreign corporation.

- (b) The Authority or an employee authorized by it may order the foreign corporation – after it was given an opportunity to present its arguments – to submit an immediate report that corrects a registration document, if they concluded that particulars in the submitted registration document are not as required by the foreign Law; the Authority or the employee authorized by it may approach the body in charge of supervision or enforcement under the foreign Law on any aspect of this matter before they approach the said foreign corporation.
- (c) The provisions of sections 36(h), 38 and 38(a) shall apply, mutatis mutandis, to the matter said in subsection (b).

35Y. Repealed

Stay of proceedings in an action in Israel

35Z. If action was brought before a Court in Israel under any enactment, on grounds that derive from an interest in the securities of a foreign corporation, the Court may – on application by a party – stay the proceedings in the action, if it learns that action was brought before a Court abroad on the same grounds or on similar grounds, and that until a judgment that is no longer subject to appeal is handed down in that action; for this purpose, "interest" – as defined in item 5 of Schedule Two of the Class Actions Law 5766-2006.

Removal from trading

- 35AA. (a) If securities of a foreign corporation, which were listed for trading on a Stock Exchange abroad under this Chapter were removed from the list for trading on the Stock Exchange abroad sooner than one year after their registration on the Stock Exchange, the securities of the body corporate shall also be removed from the list for trading on the Stock Exchange two months after the date of their removal from trading on the Stock Exchange abroad, unless in the course of those two months the body corporate published a prospectus, according to which its securities will be relisted for trading on the Stock Exchange.
- (b) If the securities of a body corporate were removed from trading on a Stock Exchange as said in subsection (a), and if its securities are held by the public, the provisions of Chapter Six shall apply to the body corporate.

Removal from trading at the initiative of the foreign corporation

- 35BB. (a) A foreign corporation may request that its securities, which are listed for trading on a Stock Exchange, be removed from trading there, on

condition that it announced its intention to do so in an immediate report submitted at least three months before the date it asked to set as the end of aforesaid trading, and that – within one business day after submission of the immediate report – it published a notice in a newspaper according to section 55B.

- (b) The provisions of this section shall apply as long as the securities of the body corporate are listed for trading on a Stock Exchange abroad and as long as trading there was not suspended or as long as the Stock Exchange abroad did not announce the intention to suspend trading in them or the intention to remove them from trading there.
- (c) The reporting obligation under this Law shall not apply to a foreign corporation from the day on which its securities were removed from trading on a Stock Exchange in consequence of a notice said in subsection (a), notwithstanding the provisions of section 35EE(a).

Prospectus of body corporate incorporated in Israel with securities listed for trading on a Stock Exchange abroad

- 35CC. (a) The Authority may exempt a body corporate incorporated in Israel, which offers securities to the public in Israel, from provisions on particulars, structure and form of the prospectus, if its securities are listed for trading on a Stock Exchange abroad or if they will be registered for trading there immediately after the prospectus is published, if it concluded that it is right to do so under the circumstances, and it may make the exemption subject to conditions, also in connection with the provisions of subsection (b).
- (b) If a body corporate published a prospectus under subsection (a) and if immediately before the publication it was not under obligation to make reports under this Law, then – as long as its securities are listed for trading on a Stock Exchange abroad – it shall report under the provisions of this Chapter or of Chapter Six.
 - (c) In this section, "**offer to the public**" – other than the registration of securities under this Chapter for trading on a Stock Exchange.

Body corporate incorporated abroad with securities listed for trading on a Stock Exchange outside Israel

- 35DD. (a) In this section –
- "**Stock Exchange abroad**" – a Securities Stock Exchange, an organized market or a trading list in either of them that are not in Israel, including a Stock Exchange abroad;
 - "**foreign authority**" – as defined in section 54K1.
- (b) The provisions under this Chapter that apply to a foreign corporation, the securities of which are listed for trading on a Stock Exchange abroad that is listed in Schedule Three, shall apply to a body corporate incorporated outside Israel, the securities of which are listed for trading on a Stock Exchange outside Israel or will be listed on a said Stock Exchange concurrently with their offering to the public in Israel and that wants to list the said securities for trading on the Stock Exchange, when all the following hold true:
 - (1) an agreement was signed between the Authority and the foreign

- authority in the State of incorporation of the body corporate, the subject of which is mutual recognition of the equivalence of the statutes and provisions that apply in the State of Israel and in the said state of incorporation to regulation, supervision and enforcement in respect of the capital market (in this section: recognition agreement);
- (2) in respect of the body corporate and in respect of the securities the listing of which was requested there are the characteristics enumerated in Schedule Three "B", including characteristics in respect of the state of incorporation of the body corporate, the Stock Exchange outside Israel where the securities are or will be listed and the kinds of securities.
- (c) Notwithstanding the provisions of subsection (b), when there are circumstance that justify it the Authority may make the applicability of the provisions under this Chapter to a certain body corporate, to which the provisions of subsection (b) apply, subject to additional conditions..
- (d) (1) The Minister of Finance may, on a proposal of the Authority or in consultation with it and with approval by the Knesset Finance Committee, change Schedule Three "B" by order, provided he does not add characteristics or particulars to the said Schedule, unless he concluded that the statutes and provisions applicable to a public offering of securities that will be added to the arrangement prescribed in subsection (b) – because of the addition of the said characteristics and particulars – together with the particulars that will be included in the registration document under section 35T(a)(2) sufficiently assure the interest of the investing public in Israel.
- (2) Without derogating from the provisions of paragraph (1), the Minister of Finance may, on a proposal of the Authority or in consultation with it, change Schedule Three "B" by an order, provided it is the case of a name changed by a Stock Exchange abroad or the split or merger of a trading list that is a Stock Exchange abroad, about which the Stock Exchange abroad gave notice.
- (e) The Authority may decide that all or some of the provisions of this Chapter shall apply to a body corporate incorporated abroad, the securities of which are listed for trading on a Stock Exchange abroad and which applies to have those securities listed for trading on the Stock Exchange, on condition that no recognition agreement was signed between the Authority and the foreign Authority in the state of incorporation of the body corporate the Authority may make its decision subject to conditions that it shall set.

Reporting obligation of a foreign corporation

- 35EE. (a) If the securities of a foreign corporation are listed for trading on the Stock Exchange in accordance with a registration document and if reporting obligations under this Law did not apply to it immediately before they were listed for trading, it must submit reports or notices

- under this Chapter to the Authority and the Stock Exchange, as long as its securities are held by the public.
- (b) The provisions of Chapter Six and of regulations under section 56(d)(2) and (3) shall not apply to a foreign corporation said in subsection (a), except for sections 36C, 38 and 38A, which shall apply *mutatis mutandis*.
 - (c) The Minister of Finance shall make regulations – on a proposal by the Authority or in consultation with it and with approval by the Knesset Finance Committee – about reports and notices by a body corporate said in subsection (a) and about their form, the dates on which they are to be drawn up and submitted, all including the matters said in section 56(d)(2) and (3); regulations under this section shall prescribe:
 - (1) in respect of a body corporate said in subsection (a) the securities of which are listed for trading on a Stock Exchange abroad that is enumerated in Schedule Two – the documents that the body corporate must make public or submit under foreign Law and the documents that the body corporate made public, as well as identifying particulars about the body corporate, its securities and their holders, which shall be included in the report or in the notice;
 - (2) in respect of a body corporate said in subsection (a) the securities of which are listed for trading on a Stock Exchange abroad that is enumerated in Schedule Three – the documents and particulars said in paragraph (1), as well as additional particulars which it shall prescribe and which shall be included in the report or in the notice; regulations under this paragraph may be made in general or for categories of securities, of Stock Exchanges abroad or of bodies corporate abroad, or according to any other classification.
 - (d) A body corporate said in subsection (a) shall submit – on the demand of the Authority or of an employee authorized by it for that purpose – any immediate report that it must submit under the foreign Law.
 - (e) The Authority or an employee authorized by it for that purpose may order a body corporate – after it was given an opportunity to present its arguments – to submit an immediate report that corrects a report or notice under this Chapter, if they concluded that the particulars in the submitted report or notice are not as required under section 35EE; the Authority may approach the body in charge of supervision or enforcement of the foreign Law on any aspect of this matter before it approaches the said foreign corporation.
 - (f) If the Authority or the Authority chairman are satisfied that a certain body corporate is not able to submit a report or notice under this Chapter by the time set therefor in regulations, they may extend the time for its submission.

Shift from one form of reporting to the other

- 35FF. (a) If the securities of a body corporate are listed for trading on a Stock Exchange and are also listed for trading on a Stock Exchange abroad, and if it reports under the provisions of Chapter Six, it may shift to

reporting under the provisions of this Chapter as long as its securities are listed for trading abroad.

- (a) If the provisions of subsection (a) do not apply to a body corporate because a certain category of its securities is listed for trading only on the Stock Exchange, it may shift to reporting under the provisions of this Chapter, if the Authority granted it exemption from reporting under the provisions of Chapter Six, and the Authority may make the grant of the said exemption conditional on conditions that in its opinion are necessary in order to secure the interests of the public that invests in securities that are listed for trading only on the Stock Exchange
- (b) A body corporate that reports under the provisions of this Chapter, may shift to reporting under the provisions of Chapter Six.
- (c) A shift said in subsections (a) to (b) requires the consent of a majority of votes of holders of the securities – other than controlling shareholders of the body corporate – who participate in the vote in meetings of securities holders by categories, called by the body corporate for this matter.

Replacing form of reporting

35GG. When a body corporate shifts from one form of reporting to another according to the provisions of section 35FF, the body corporate shall submit to the Authority and to the Stock Exchange – and if it was incorporated in Israel also to the Registrar – in accordance with the provisions of the form of reporting to which it shifted –

- (1) an immediate report about the shift, at the time that the Authority shall set;
- (2) a periodic report for the period of the last reporting year of the body corporate before the date of the shift;
- (3) interim reports that are later than the periodic report said in paragraph (2).

CHAPTER FIVE "D": SPECIAL SECURITIES

Public offering of special securities

35HH(a) In this Chapter, "**special securities**" – securities issued by the World Bank or by the European Investment Bank that do not give any right of participation or membership in the World Bank or in the European Investment Bank, as the case may be, and that are not convertible into or realizable as securities that give a said right.

- (b) An offering of special securities to the public may be under a public offering document according to the provisions of this Chapter.
- (c) The provisions of Chapter Five "A" shall not apply to a public offering of special securities under this Chapter.

Public offering document

35II. (a) The Minister of Finance shall – on the Authority's proposal or in

consultation with it and with approval by the Knesset Finance Committee – make regulations about the structure and form of a public offering document and about the particulars or documents to be included in it, and he may prescribe different provisions for different kinds of public offerings.

- (b) A public offering document shall be signed by whoever issues the special securities and it shall bear a date that precedes the date of its publication by not more than one day.
- (c) The provisions of section 35V shall apply to a public offering document, *mutatis mutandis*, and the provisions of the sections specified below shall also apply to it, as the case may be and *mutatis mutandis*:
 - (1) in respect of a public offering of special securities only by way of listing for trading on the Stock Exchange – the provisions of section 35W ;
 - (2) in respect of a public offering of special securities other than that said in paragraph (1) – the provisions of section 24.

Authority to order particulars to be completed

35JJ. An issuer of special securities shall give the Authority in writing – at its demand or at the demand of an employee whom it authorized for this purpose – within a period they shall prescribe, any explanation, particular, information and documents in connection with the particulars included in the public offering document.

Reporting obligation of an issuer of special securities

- 35KK.(a) An issuer of special securities, who offered them to the public under this Chapter must submit reports, notices or documents under this Chapter to the Authority and to the Stock Exchange, as long as the special securities are held by the public, traded or listed on the Stock Exchange for trading.
- (b) The provisions of Chapter Six and regulations under section 56(d) shall not apply to an issuer said in subsection (a), except for section 38A, which shall apply *mutatis mutandis*.
 - (c) The Minister of Finance shall, at the proposal of the Authority or in consultation with it and with approval by the Knesset Finance Committee, make regulations on reports, notices and documents that an issuer said in subsection (a) must submit under the provisions of that section, and on the form, times for their preparation and submission, and on particulars and documents to be included in them, and he may prescribe different provisions for different kinds of public offerings.

Responsibility of the issuer of special securities

- 35LL. (a) The provisions of sections 31 to 34 shall apply, as the case may be and *mutatis mutandis*, to an issuer of special securities in respect of any misleading chapter in the public offering document, report, notice or document submitted under this Chapter.
- (b) The responsibility under the sections said in subsection (a) and under

section 52K(a) shall not apply to a Director, general manager or interested party of the issuer of special securities.

CHAPTER SIX: CURRENT REPORT

Duty of bodies corporate to report

36. (a) A body corporate, securities of which were offered to the public by prospectus, must submit to the Authority reports or notifications under this Chapter as long its securities are in the hands of the public; if the securities of a body corporate are traded on a Stock Exchange or are listed there for trading, it must submit reports or notifications according to this Chapter to the Authority and to the Stock Exchange.
- (a1) repealed
- (a2) If a body corporate, the securities of which were listed for trading on a Stock Exchange abroad and that reported under the provisions of Chapter Five "C", and if it came to be obligated to report under this Chapter because its securities were delisted from trading on the Stock Exchange abroad, it may continue to report under the provisions of Chapter Five "C" during six months after the securities were delisted as aforesaid before it begins to report under the provisions of this Chapter, on condition that its reports include every particular that is likely to be important for reasonable investors.
- (b) The Minister of Finance shall – upon recommendation by or after consultation with the Authority and with approval by the Knesset Finance Committee – make regulations on the particulars that must be included in the said reports or notifications, their form and dates of preparation and submission, including particulars to be included in the said reports or notifications to the best knowledge of the Directors of the body corporate.
- (c) Regulations under this section shall relate to every matter that, in the Finance Minister's opinion, is important for a reasonable investor who considers buying or selling securities of the body corporate, and they may relate to any of the things specified in section 17(b), and they shall – in addition to periodic reports – also require immediate reports upon certain occurrences.
- (d) The Minister of Finance may make regulations under this section, either generally or for categories of bodies corporate or of securities or according to any other classification.
- (e) A body corporate said in subsection (a) must submit, on a special demand from the Authority or from an employee authorized by it for this purpose, within the time that will be set in the demand on condition that it not be shorter than the time set in regulations under subsection (b), an immediate report on a matter or on an event, if they believe that information about them is important for a reasonable investor who considers selling or buying securities of the body corporate.
- (f) A body corporate said in subsection (a) must, in accordance with a

demand from the Authority or from an employee authorized by it for this purpose –

- (1) deliver to the Authority within the time set in the demand explanations, particulars, information and documents in connection with particulars included in a report or in a notification under this Chapter;
 - (2) submit within the time set in the demand a report that corrects a report or notification submitted under this Chapter, if they found that the submitted report or notification is not as required by this section or that the particulars provided by virtue of a provision of paragraph (1) make that necessary.
- (g) The Authority may order a body corporate said in subsection (a) – after it gave it suitable opportunity to present its arguments – to submit within the time that it shall set –
- (1) a report that shall include an opinion in addition to the opinion included in a report submitted under this section, if it finds that the said report is not as required under this section or that particulars reported under the provisions of subsection (f) require a said order to be made;
 - (2) financial reports, an opinion or a survey by the auditor who audited or surveyed them or by another auditor, instead of those included in the report submitted to the Authority, if in its opinion they were not drawn up according to accepted accounting principles and accepted reporting rules and that they do not fairly reflect the state of the business of the body corporate in accordance with the said accepted principles and rules.
- (h) If the Authority or an employee authorized by the Authority for this purpose is satisfied that a body corporate cannot submit a report or notification under this Chapter by the date set therefor by regulations, he may extend the time for its submission.
- (i) The Authority may inform a body corporate that it no longer is obligated to report under this Chapter, even if its securities are held by the public, on conditions and at times that the Minister of Finance shall prescribe in regulations with approval by the Knesset Finance Committee, provided that the body corporate and the holders of its securities were given an opportunity to present their arguments; the provisions of this subsection shall not derogate from any responsibility of the body corporate under other provisions of this Law or of any other statute.

Power to prescribe how particulars shall be presented

- 36A. (a) If the Authority concluded that it is necessary to do so in order to protect the interest of the public that invests in the securities of a certain body corporate, it may direct it how to present a particular in its financial reports, periodic report or immediate report, provided that provisions on this matter are not prescribed in sections 17 or 36 or in accepted accounting principles and accepted reporting rules.
- (b) If the Authority concluded that it is necessary to do so in order to

protect the interest of the public that invests in securities, it may prescribe guidelines on the presentation of particulars in the reports specified in subsection (a); said guidelines shall be made public in a manner to be prescribed by the Authority's chairman.

- (c) Guidelines under subsection (b) shall be in effect during one year after their publication, unless provisions on that matter were made earlier in regulations under section 17 or 36 or in accepted accounting principles and accepted reporting rules; the Authority may – with approval by the Minister of Finance – extend the effect of the guidelines for a period that shall not exceed one additional year.
- (d) If the Authority issued an order on a certain matter under subsection (a) to more than one body corporate, it shall – within six months – prescribe it in a guideline under subsection (b).
- (e) Before guidelines are prescribed as said in subsection (b) and before they are extended under subsection (c), the Authority shall give the president of the Israel Chamber of Auditors a suitable opportunity to state his opinion, and while the guidelines are in effect the Israel Chamber of Auditors shall issue an opinion on a subject dealt with only with the Authority's consent.

Obligation of a guarantor to report

36B. If a prospectus includes financial reports of a body corporate that gave a guaranty for the satisfaction of conditions of the debentures, within the meaning thereof in section 35A, offered by the prospectus, the provisions of this Chapter shall also apply, mutatis mutandis, to the said body corporate, as long as the guaranty is in effect.

Exemption from reporting

- 36C. (a) The Authority may exempt a body corporate from disclosing a particular in a report under this Chapter, if it concluded that the conditions said in section 19(a)(1) have been met, mutatis mutandis.
- (b) The Court may exempt a body corporate from disclosing a particular in a report under this Chapter, if it finds that the conditions said in section 19(a)(2) have been met, mutatis mutandis; the Attorney General shall be the respondent to a petition under this subsection.
- (c) If an exemption was granted under this section, that fact shall be stated in the report.

Obligation to give notice by a party with an interest or by a senior officer

37. (a) When regulations under section 36 require a body corporate to disclose in its reports particulars of its securities that are held by parties with an interest in the body corporate or by its senior officer or other particulars in relation to the party with an interest in the body corporate or to its senior officer, including changes in aforesaid holdings, the party with the interest or the senior officer must submit to that body corporate a notice according to the particulars and at the times required by the body corporate, in order to enable it to comply with its said obligations; if the securities are held through a trustee and the trustee submitted the notice under this subsection, the holder is

- exempt; if the holder submitted the notice, the trustee is exempt.
- (b) The provisions of subsection (a) on the obligation to give notice shall also apply to a person who ceased to be a party with an interest or a senior officer, in respect of the event in consequence of which he ceased to be a party with an interest or a senior officer.
- (c) A notice under this section shall be in writing, shall be signed by the party with an interest or the senior officer, or by the person who ceased to be a party with an interest or a senior officer, and it shall be submitted to the body corporate by the time set by the Minister of Finance on the Authority's recommendation or after consultation with it and with approval by the Knesset Finance Committee.
- (d) In this Chapter:
- "**senior officer**" – an officer, as defined in the Companies Law, and also the chairman of the Board of Directors, a substitute Director, an individual who under section 236 of the Companies Law was appointed on behalf of a body corporate and who serves as Director, accountant, internal auditor, independent signatory and every person who holds a said position, even if the title of his position is different, and also a senior officer in a body corporate controlled by the body corporate, who has substantive influence over the body corporate, and every individual who is employed by the body corporate in a different position and holds 5% or more of the nominal value of the issued share capital or of the voting power, as the case may be; for this purpose:
- "**independent signatory**" – a signatory able to obligate the body corporate in respect of a certain act, without needing the signature of some other factor in the body corporate;
- "**signatory**" – a person authorized to obligate the body corporate or a body corporate under the control of the body corporate that is not a reporting body corporate and that is not a body corporate to which Chapter Five "C" applies (hereafter: controlled body corporate), and also a person who in a controlled body corporate is authorized to obligate the controlled body corporate in an amount greater than 5% of the total assets on the balance sheet of the body corporate according to its last audited financial reports; two or more signatories, who are members of the same family, shall be deemed one signatory;
- "**obligation**" – other than the payment of a tax, municipal rate or other mandatory payment that can be collected under the Taxes (Collection) Ordinance and other than an act in the accounts of the body corporate or of the controlled body corporate in respect of the acquisition or sale of securities, deposits, foreign currency and financial assets, as defined in the Counseling Law.
- (e) The provisions of this section about parties with an interest and about senior officers shall also apply to substantive holders of means of control in a banking corporation without a controlling nucleus and to substantive holders of means of control in institutional bodies without controlling shareholders; in this subsection –
- "**substantive holder of means of control in a banking corporation without a controlling nucleus**" – each of these:

- (1) whoever holds more than 2.5% of a certain category of means of control in a banking corporation without a controlling nucleus;
- (2) whoever holds more than 1% of certain category of means of control in a banking corporation without a controlling nucleus; provided that he did not inform the banking corporation that he objects to the banking corporation disclosing particulars of his holding in its reports, as said in section 36(b)(1)(c) of the Banking (Licensing) Law;
- (3) whoever holds a certain category of means of control in a certain banking corporation that is a banking corporation without a controlling nucleus, in excess of the percentage that the Supervisor prescribed under section 36(b1) of the Banking (Licensing) Law with the consent of the Authority chairman;

"substantive holder of means of control in an institutional body without controlling shareholders" – each of these:

- (1) a person who holds more than 2.5% of a certain category of means of control in a banking corporation without controlling shareholder;
- (2) a person who holds more than 1% of a certain category of means of control in an institutional body without controlling shareholders, provided that he did not announce to the institutional body that he objects to disclosure by the institutional body in its reports particulars of his holding, as said in section 34A(a1)(1)(c) of the Control of Insurance Law;
- (3) a person who holds a certain kind of means of control in a certain institutional body that is an institutional body without controlling shareholders, in excess of the percentage that the Commissioner prescribed under section 34A(a2) of the Control of Insurance Law with the consent of the Authority chairman;

"institutional body without controlling shareholders" – each of these:

- (1) an insurer without controlling shareholders, as defined in the Control of Insurance Law;
- (2) a management company, as defined in the Control of Financial Services (Provident Funds) Law 5765-2005, in which all owners of means of control do not need permits under the provisions of section 9(b) of the said Law;

"holding" and **"means of control"** – in respect of substantive means of control in a banking corporation without a controlling nucleus – as defined in the Banking (Licensing) Law, and in respect of holders of means of control in an institutional body without controlling shareholders – as defined in the Control of Insurance Law;

"Banking (Licensing) Law" – the Banking (Licensing) Law 5741-1981;

"Control of Insurance Law" – the Control of Financial Services (Insurance) Law 5741-1981;

"banking corporation without a controlling nucleus" – within its meaning in section 11B(c) of the Banking Ordinance 1941.

Court order

38. (a) If a body corporate did not submit a report under this Chapter at the time prescribed therefor or if it submitted it not according to sections 36 or 36A, or if it did not correct it within the time set by the Authority or by an employee authorized by it for that purpose, or if it did not deliver an explanation, particular, information or documents in connection with particulars included in the report or in the notification under section 36, or if it did not submit an additional or another opinion required by the Authority, the Court may, on application by the Authority, order it and its Directors to submit or to correct the report, or to submit an additional or other opinion within the time that the Court shall prescribe, and if that is necessary it may order a party with an interest or a senior officer to deliver a notice, as said in section 37, to the body corporate.
- (b) If a party with an interest or a senior officer failed to give a notice under section 37 or gave it not according to the provisions of the said section, then the Court may – on application by the body corporate – order him to make or correct the notice within a period which the Court will set.

Order to stop trading

- 38A. (a) If a body corporate did one of the following –
- (1) it did not submit a report or notice under this Chapter by the time set therefor;
 - (2) it submitted a report or notice not according to section 36, 36A or 37, on condition that the Authority is satisfied that this digression concerns matters of substance,
- the Authority may – after consultation with the Chairman of the Board of Directors of the Stock Exchange and after the body corporate was given an appropriate opportunity to present its arguments – order the Stock Exchange to stop trading in its securities.
- (b) When the report or notice has been delivered as required and to the Authority's satisfaction, the Authority shall instruct the Stock Exchange to resume trading in the securities of the body corporate.
- (c) The provisions of subsection (a) shall not derogate from the powers of a Stock Exchange to order trading in securities to be stopped under its by-laws.

Civil liability of party with an interest or of a senior officer

38B. The provisions of sections 31 to 34 shall apply, *mutatis mutandis*, to holders of securities of a body corporate, to a party with an interest or to a senior officer who submitted a report or notice under sections 36, 36A or 37.

Liability for damage due to a misleading particular in a report, notice or document

- 38C. (a) The provisions of sections 31 to 34 shall apply, as the case may be and *mutatis mutandis* –
- (1) to a body corporate, a Director of a body corporate, its General Manager and a controlling shareholder of it – in respect of any

- misleading particular in a report, notice or document that the body corporate submitted under this Law (in this section – report);
- (2) to whoever gave an opinion, report, survey or certification that was included or mentioned in the report with his prior consent – in respect of any misleading particular included in the aforesaid opinion, report, survey or certification.
- (b) In this section, "**controlling shareholder**" – other than the State.

CHAPTER SEVEN: FURTHER PROVISIONS ON ISSUES, OFFERS TO THE PUBLIC AND CURRENT REPORTS

Approval by Minister of Finance

39. (a) An issue of securities and their offer to the public requires approval by the Minister of Finance or by the person he appointed for that purpose.
- (b) The Minister of Finance shall not refuse to grant approval under this section, except if he concluded that the offer, its conditions or its timing are contrary to the Government's economic policy.
- (c) An approval under subsection (a) may be general, for categories or personal.
- (d) The Authority shall not grant a permit for publication of a prospectus, except after the offer has been approved under this section.

Application of provisions to a company incorporated abroad, the shares or the debentures of which are offered to the public in Israel

- 39A. (a) Provisions under the Companies Law and regulations under this Law shall apply to a company incorporated abroad that offers its shares or debentures to the public in Israel, all according to what is specified in Part One or in Part Two of Schedule Four, as the case may be; however, the Authority may exempt a said company from all or some of the provisions and regulations specified in the said Schedule, if it concluded that the Law abroad that applies to the company sufficiently protects the interests of the investing public in Israel; in this section, "**the Law abroad**" – the Law that applies to the company in the country in which it incorporated and also the Law that applies to it in respect of the listing of its securities or debentures for trading on a Stock Exchange abroad, including the rules of that Stock Exchange.
- (b) If the Authority concluded as said in subsection (a), it shall exempt the company from provisions and regulations that it specified and it shall so inform the company when the permit to publish the prospectus is given.
- (c) The Minister may – by order in consultation with the Minister of Justice and with the Securities Authority – add to or detract from Schedule Four provisions under the Companies Law or regulations under this Law
- (d) The provisions of this section shall not apply to a company, the securities of which are listed for trading on a Stock Exchange abroad

and to a company to which the provisions under Chapter Five "C" apply according to section 35DD.

Sections 40, 41, 42 and 43 – *Repealed*

Inspection of documents

44. Copies of a prospectus, publication of which was permitted, of a registration document and of every report, opinion or certificate included or referred to therein and of every report or notice submitted under sections 36 and 37 – except for applications for exemption or documents in respect of which exemption from publication was granted – shall be available at the main office of the issuer or of the body corporate for inspection by any person who asks to inspect them, and anybody may copy them.

Restriction on persons who gave opinions

44A. A person who gives an opinion required under this Law shall not be a party with an interest in the issuer to whom the opinion refers.

Misleading particular

- 44A1.(a) There shall be no misleading particular in any draft prospectus, prospectus, report, notice, document or purchase offer specification (in this section: report) that is submitted to the Authority under this Law.
- (b) There shall be no misleading particular in any opinion, report, survey or certification (in this section: opinion) that is included or mentioned in a report with the advance consent of whoever gave the opinion.

CHAPTER SEVEN "A": ELECTRONIC REPORTING

Reporting methods

- 44B. (a) Draft prospectuses, prospectuses approved for publication, registration documents and every report, opinion or certification included in them, as well as every other report, notice or document that under this Law must be submitted to the Authority or to the Stock Exchange shall be submitted according to the provisions of this Chapter.
- (b) If, under the provisions of this Law, a document must also be submitted to the Stock Exchange and it was reported electronically to the Authority, the Authority shall transmit it to the Stock Exchange and the electronic report to the Authority shall also be deemed fulfillment of the obligation to submit it to the Stock Exchange.

Information security

44C. In order to assure the security of information in the documents reported to the Authority electronically under this Chapter, the Authority shall use reliable software and hardware systems that – in its opinion – provide reasonable security against penetration, garbling, interference or damage to the computer or to computer material and that provide reasonable levels of accessibility and reliability.

Implementation and regulations

- 44D. (a) According to the Authority's proposal or after consultation with it and with approval by the Knesset Finance Committee, the Minister of Finance shall make regulations about –
- (1) electronic reporting procedures and signatures for the purpose of electronic reporting;
 - (2) individual officers of bodies corporate, providers of services to bodies corporate or other individuals, who are entitled to be authorized persons for the purpose of electronic reports and signatures in connection with said reports (in this Law: electronic signatory);
 - (3) the obligations of an electronic signatory in connection with reports under the provisions of this Chapter;
 - (4) safekeeping of documents in the offices of the body corporate;
 - (5) fees to be paid to the Authority, including exemption from said fees, in connection with the inspection, production and distribution of reports and of data that were reported to it electronically.
- (b) Without derogating from the provisions of the Electronic Signature Law, the Minister of Justice and the Minister of Finance jointly may – if they deemed that necessary in order to protect the interests of the public that invests in securities – make regulations according to the Authority's proposal or after consultation with it and with approval by the Knesset Scientific and Technological Research and Development Committee about –
- (1) conditions in addition to those required of a certification authority in order to allow it to be a certification authority for electronic reports under the provisions of this Law (in this Law: signature certifier);
 - (2) the obligations of a signature certifier in addition to his obligations under the Electronic Signature Law;
 - (3) minimum requirements in respect of a signature certifier's hardware and software systems, in addition to the requirements under the Electronic Signature Law.

Powers of the Authority

- 44E. (a) The Authority may prescribe rules in respect of –
- (1) registration procedures for electronic reporting to the Authority;
 - (2) modes of electronic reporting;
 - (3) minimum requirements for hardware and software systems used for electronic reporting;
 - (4) the software, by use of which electronic reports will be made;
 - (5) the structure and format of the forms to be used for electronic reports;
 - (6) conditions in connection with the inspection, production and distribution of reports and data that were reported to it electronically.
- (b) Rules under subsection (a) do not have to be published in *Reshumot*,

but the Authority shall publish in *Reshumot* a notice that said rules have been made and when they shall go into effect.

- (c) Rules under subsection (a) and every change thereof shall be made available for viewing by the public at the offices of the Authority, they shall be posted on the Authority's Internet site and the Authority may direct that they be publicized in an additional manner.

Signature certifier

44F. The Authority chairman or a person authorized by him for this purpose may require of a signature certifier or of a person who wants to be a signature certifier any explanation, particular, information or document, in order to examine whether he meets the provisions under this Law.

CHAPTER SEVEN "B": SECURE E-MAIL AND ELECTRONIC VOTING SYSTEM

Article One: Secure E-Mail

Definitions

44G.-*repealed*.

Serving certified electronic messages

44H. Notices, instructions, demands and all other documents that the Authority or its authorized employee may serve on addressees under this Law may be drawn up as certified electronic messages and shall be served on the addressee by dispatch to his secure e-mail box; In this Article, "addressee" is any entity subject to a reporting obligation under section 44D(a).

Assumption of service

- 44I. (a) A certified electronic message that was sent to according to the provisions of section 44H to an addressee and for which an electronic certification of arrival was received shall be deemed to have been served on the addressee two business days after the date of arrival stated in the said certification, except if it was proven that the addressee received the said electronic message earlier.
- (b) If the date of arrival stated in the certification said in subsection (a) is a Friday, a rest day within its meaning in section 18A of the Law and Administration Ordinance 5708-1948 or a day of rest prescribed by legislation, then for the purposes of subsection (a) it shall be deemed that the date of arrival was on the next following business day.
- (c) Notwithstanding sub-sections (a) and (b), a confirmed electronic message concerning data of users of the electronic voting system defined in section 44K5, which was sent to an addressee, as stated in section 44H, and confirmation of arrival was received, shall be considered to have been delivered to the addressee at the beginning of

the meeting concerning said vote.

Regulations about secure e-mail

- 44J. (a) The Minister of Finance together with the Minister of Justice shall – upon the Authority's proposal or after consultation with it and with approval by the Knesset Finance Committee – make regulations about –
- (1) individuals who are officers of the addressee, providers of service to the addressee or persons who act on behalf of the addressee, who may be authorized to access the addressee's secure e-mail box;
 - (2) the obligations of persons authorized as said in paragraph (1);
 - (3) the frequency of access to a secure e-mail box.
- (b) The Minister of Finance together with the Minister of Justice shall – upon the Authority's proposal or after consultation with it and with approval by the Knesset Science and Technology Committee – make regulations about the obligations of signature certifiers in connection with electronic documents that are used in secure e-mail systems, in addition to their obligations under the Electronic Signature Law

The Authority's rules on secure e-mail

- 44K. (a) The Authority shall prescribe rules about –
- (1) recording procedures in order to receive certification to access a secure e-mail system;
 - (2) how a secure e-mail box is created and how a box is accessed in order to receive secure electronic messages sent by the Authority;
 - (3) minimum requirements for the hardware and software systems used to access a secure e-mail box.
- (b) The Authority may prescribe rules on the demand for electronic signatures in secure e-mail systems.
- (c) Rules under subsections (a) and (b) do not have to be published in Reshumot, but the Authority shall publish a notice in Reshumot that said rules have been prescribed and when they go into effect.
- (d) Rules under subsections (a) and (b) and any change thereof shall be available to the public at the Authority's offices and shall be posted on the Authority's Internet site, and the Authority may prescribe additional ways for their publication.

Article Two: Electronic Voting System

Definitions

44K1. In this Article –

"**meeting**" – a meeting of the holders of securities, at which it is possible to vote by ballot;

"**Exchange member**" - – a member of the Exchange according to the Exchange by-laws, within the meaning thereof in section 46;

"**ballot**" – within its meaning in sections 35L3 and 39P8 and in section 87 of the Companies Law.

Electronic voting system

- 44K2. (a) The Authority shall set up a computer system that will enable securities holders, about whom Exchange members provided the information required under section 35L21 and 35P9 and according to regulations under section 89 of the Companies Law, also as made applicable in section 65FF of the Partnerships Ordinance [New Version] 5735-1975 and according to section 65KKK of the said Ordinance, to vote at meetings by means of ballots on the internet and also to prove their ownership of the securities (in this Article: electronic voting system).
- (b) In order to assure the security of data transmitted to or from the electronic voting system according to this Article, the Authority shall use reliable hardware and software systems that – to the best of its knowledge – give reasonable security against penetration, distortion, interference and damage to computers and computer material and that afford a reasonable level of availability and reliability.
- (c) The Authority shall document acts performed on the electronic voting system, their date and the identity of the performer.
- (d) The Authority shall provide a back-up for the electronic voting system by protected and secure means, and the back-up shall be kept separately from the system.
- (e) The Authority shall take steps to assure the privacy of securities holders, with due attention to accepted technological alternatives

Structural separation

- 44K3. (a) Notwithstanding the provisions of any statute, the electronic voting system shall be separate from and independent of other activities of the Authority, and the Authority and all other persons shall not have access to data transmitted to or from the system; the Authority and any other factor shall not use said data, except for purposes of the control, and maintenance of the electronic voting system or if suspicion arose that an offense was committed with it.
- (b) The Authority chairman shall appoint a commissioner responsible for the structural separation said in subsection (a), including the performance of all the acts required in order to ascertain that the said separation is maintained and that information is not transmitted to or from the electronic voting system, except according to this Article.
- (c) The Authority chairman and the Registrar of Databanks shall appoint a State employee who is not an employee of the Authority to supervise the structural separation under this section; in this subsection, "**Registrar of Databanks**" – the registrar, as defined in section 7 of the Protection of Privacy Law 5741-1981.

The Authority's powers

- 44K4.(a) The Authority shall prescribe rules on the following matters, with due attention to the provisions of section 44L2:
- (1) how the electronic voting system is to be operated and used and

- the characteristics of the system;
 - (2) the characteristics of electronic messages, the subject of which are the data of electronic voting system users said in section 44L5(a), and the particulars that are to be included therein;
 - (3) the technical characteristics of the information and of the particulars that Stock Exchange members are required to deliver to securities holders and to the electronic voting system according to regulations under sections 35L21 and 35P9 and according to regulations under section 89 of the Companies Law, also as made applicable in section 65FF of the Partnerships Ordinance [New Version] 5735-1975 and according to section 65KKK of the said Ordinance;
 - (4) the interface of Stock Exchange members with the electronic voting system.
- (b) Rules under subsection (a) do not have to be published in *Reshumot*, but the Authority shall publish a notice in *Reshumot* that said rules were prescribed and when they go into effect.
 - (c) Rules under subsection (a) and every change thereof shall be made available at the Authority's offices for viewing by the public and shall be posted on the Authority's internet site, and the Authority may order other ways of publicizing them.

Data of users of the electronic voting system

- 44K5. (a) Immediately before a meeting is convened, the Authority shall deliver to whoever called the meeting over the secure electronic mail system a certified electronic message with the data of the users of the electronic voting system, which shall include these data:
- (1) the particulars of securities holders who voted over the electronic voting system and how they voted;
 - (2) the particulars of securities holders who instructed the said system to transmit their particulars without stating how they voted, in order to prove their ownership of the securities.
- (b) Notwithstanding the provisions of subsection (a), if the Authority chairman concluded – and in his absence, the Authority employee who he authorized for this purpose – that there are exceptional circumstances in respect of the operation of the secure electronic mail system or of the electronic voting system, he may order, for a period that he shall prescribe and that shall not be longer than the shortest period required under the circumstances, that the data transfer said in subsection (a) be effected not over a secure electronic mail system but in the manner that he prescribes, or that the electronic voting system be blocked against use, as the case may be; a said order shall be posted on the Authority's internet site and publicized by other means, as he deems appropriate.

Results of a vote on the electronic voting system

- 44K6. In determining whether a quorum is present and in counting the votes at a meeting, the votes counted in the results of the electronic vote shall also be included and for this purpose the provisions of sections 35L3 and 35P8 and

the provisions of section 87 of the Companies Law shall apply, also as made applicable in section 65FF of the Partnerships Ordinance [New Version] 5735-1975.

CHAPTER SEVEN "C": TRADING PLATFORMS TO THEIR OWN ACCOUNT

Definitions

44L. In this Chapter –

"trading platform" – each of the following:

- (1) A computerized system through which a person buys from his clients financial instruments for his own account or sells financial instruments from his own account to his clients in an organized, frequent and systematic manner, other than a system in which all the bought or sold financial instruments are financial instruments, the conditions of which are determined by direct negotiations between the parties to the transaction;
- (2) a computerized system that enables the client to deal through a system said in paragraph (1);

"financial instrument" – each of the following:

- (1) securities, as defined in section 1;
- (2) securities issued by the Government;
- (3) closed Fund units, as defined in the Joint Investment Trusts Law;
- (4) agreements or arrangements, the value of which is derived from the value of currencies, commodities, interest rates, exchange rates, indexes or another financial instrument;
- (5) any other financial instrument designated by the Minister of Finance on the Authority's recommendation or in consultation with it and with approval by the Knesset Finance Committee;

"client" – whoever wants to buy or sell a financial instrument through a trading platform;

"officer" – a senior officer, as defined in section 37(d);

"platform license" – a license to operate a trading platform, granted by the Authority.

License to operate a trading platform

44M. (a) No person shall operate a trading platform, unless he holds a platform license and in accordance with the conditions of the license.

(b) The Authority shall grant platform licenses to companies for which all the following hold true:

- (1) the control and management of its business is performed in Israel, and if it is not performed in Israel – the company is capable of complying with all provisions under this Law and they can be enforced in its respect;
- (2) the company's sole purpose is the operation of a trading platform;
- (3) the company enacted by-laws as said in section 44R;
- (4) the company has technical skills and means suitable for the operation of a trading platform in a manner that assures the stability, reliability and

- accessibility of the trading platform and the security of the information in it;
- (5) the company meets additional requirements prescribed by the Minister of Finance on the Authority's recommendation or in consultation with it and with approval by the Knesset Finance Committee in respect of the matters specified below, and the Minister of Finance may prescribe different requirements by type of license, the volume of activity under it and its character:
- (a) equity, liquid assets and deposit;
 - (b) insurance;
- (6) the company submitted reports and documents to the Authority as prescribed by the Minister of Finance on the Authority's recommendation or in consultation with it and with approval by the Knesset Finance Committee; reports submitted under this paragraph shall be made public when the license is granted, in a manner to be prescribed by the Authority.
- (c) Notwithstanding the provisions of subsection (b), the Authority may refuse to grant a platform license to a company that meets the conditions said in that paragraph because of reasons connected to its reliability or to the reliability of its officer or of its controlling shareholder, provided the Authority gave the company an opportunity to present its arguments.
 - (d) In a platform license the Authority may prescribe the kinds of financial instruments that may be traded through the platform and it may restrict it, inter alia, to kinds of acts that the company that holds the platform license is allowed to perform or to categories of clients who will be allowed to trade through the platform.

Obligation to comply with the conditions for the grant of the license

44N. A company with a platform license shall at all times comply with the conditions prescribed in section 44M(b)(1), (4) and (5).

Must not propose to trade in a trading platform that is not licensed

44O. No person shall propose to another to trade on a trading platform, unless the platform is operated by a company that has a platform license or by whoever is allowed to operate a trading platform without a license under the provisions of section 44DD.

Prohibition of additional business

- 44P. (a) A company that holds a platform license must not engage in any other business, except for the operation of the trading platform.
- (b) A company that holds a platform license must not extend credit to its clients.

Fair and proper conduct

- 44Q. (a) A company that holds a platform license shall operate the trading platform in a proper and fair manner.
- b) A company that holds a platform license and also whoever provides services on its behalf, including marketing services of the trading

platform (in this section: service provider), shall not include any misleading particular in reports, publications on their behalf or in other information that they deliver.

- (c) A company that holds a platform license must supervise and take all reasonable steps to prevent any violation of the provisions of subsection (b) by service providers; if a service provider did violate a said provision it is assumed that the company violated its obligation under this subsection and it shall be judged as if it itself had committed the violation, unless it proved that it took all reasonable steps in order to comply with its said obligation.

Rules in by-laws for the operation of a trading platform

- 44R. (a) A company that holds a platform license shall prescribe rules in its by-laws, to be approved by the Authority, for the proper and fair operation of the trading platform, including rules to assure its compliance with the requirements under the provisions of this Law.
- (b) Changes in the by-laws said in subsection (a) require approval by the Authority, but the Authority may order that, in respect of a certain matter, the Authority's approval shall not be required for a said amendment.
- (c) If the Authority concludes – after it has given the company that holds a platform license an opportunity to present its arguments – that for the sake of the proper and fair operation of the trading platform, rules should be added to the by-laws or changed according to the provisions of subsection (a), it shall order the company to do so and the company shall act accordingly within thirty days after it received the order.
- (d) Rules in by-laws said in subsection (a) and any change thereof shall be made public in a manner to be prescribed by the Authority.

Exploitation of clients is prohibited

44S. A company that holds a platform license shall not do – by act or omission, in writing or verbally or in any other manner – do anything that constitutes the exploitation of a client's ignorance or lack of experience, in order to contract a transaction on unreasonable terms or in order to give or to receive consideration that unreasonably differs from the customary consideration.

Supervision by the Authority

- 44T. (a) The Authority shall supervise the proper and fair operation of trading platforms by companies that hold platform licenses.
- (b) For purposes of the supervision said in subsection (a) the Authority may issue instructions that concern the way of operation of companies that hold platform licenses, of their officers and of persons employed by them, all in order to assure the proper and fair operation of trading platforms and the protection of the clients' interests; said instructions may be given to all companies that hold platform license or to certain categories of said companies.
- (c) Instructions under subsection (b) do not have to be published in Reshumot, but the Authority shall publish in Reshumot a notice that

said instructions were given and the date on which they go into effect; the instructions and any change thereof shall be available for public inspection at the Authority's offices and they shall be posted on the Authority's Internet site; the Authority may order that said instructions be published in additional ways.

- (d) Without derogating from the provisions of subsection (b), for supervision said in subsection (a) the Authority may issue instructions to a certain company that holds a platform license, in order to assure the implementation of the provisions of this Law.
- (e) A company that holds a platform license shall – at the demand of the Authority or of an authorized Authority staff member – deliver to the Authority, in writing within the period prescribed in the demand any explanation, particular, information and documents connected to particulars included in a report that it submitted under this Chapter.

Liability of a company that holds a platform license

- 44U. (a) A company that holds a platform license shall be liable for any damage caused to a client in consequence of its violation of any provision under this Law or of any rule in its by-laws that was prescribed under section 44R.
- (b) The Chief Executive Officer of the company that holds a platform license must supervise and take all reasonable steps to prevent violations of provisions or rules said in subsection (a) by the company or by any of its employees.
 - (c) If a company that holds a platform license violated any provision or rule said in subsection (a), it is assumed that the Chief Executive Officer violated his obligation under subsection (b) and the liability under subsection (a) shall also fall on him, unless he proved that he took all reasonable steps in order to comply with his aforesaid obligation.

Obligation to give notice by interested party and officer in a company that holds a platform license

44V. Where provisions under this Chapter obligate a company that applies for or holds a platform license to disclose in its reports particulars about parties with an interest in it or about its officers, the provisions of sections 37 and 38 shall apply in respect of the obligation of its interested parties or officers and also of persons who were its interested parties or officers to give notice, as said in section 37(b).

Cancellation or suspension of platform license

- 44W. (a) If the Authority chairman concluded that in respect of a company that holds a platform license one of the conditions said in section 44M(b) no longer holds true, or that circumstances enumerated in a list under subsection (b) occurred, indicating a defect in the reliability of the company, of its officer or controlling shareholder, and if he believes that the defect can be corrected, he may order that it be corrected within a period that he shall prescribe; if the defect cannot be corrected or if the period prescribed by the Authority chairman in an

order given under this subsection has passed and the defect was not corrected, the Authority may – after it has given the company an opportunity to present its arguments – suspend or cancel the license.

- (b) The Authority shall formulate a list of circumstances that indicate a defect in the reliability of a company that holds a platform license, of its officers or of its controlling shareholders; a said list shall be posted on the Authority's Internet site and a notice that the list was published, of any change in it and of the date on which they go into effect shall be published in Reshumot.

Controlling shareholder's permit

- 44X. (a) No person shall be a controlling shareholder of a company that holds a platform license, except by a permit from the Authority (in this Chapter: control permit).
- (b) The Authority may refuse to issue a control permit under this section only for reasons connected to the reliability of the permit applicant or of its officer.
- (c) The provisions of subsection (a) shall not apply to a person who became a controlling shareholder as said in that subsection by virtue of a transfer of assets by an act of Law.

Transfer of means of control

- 44Y. Whoever holds means of control in a company that holds a platform license shall not transfer them to another, knowing that the transferee needs a control permit and does not have a said permit.

Cancellation of a control permit

- 44Z. (a) If the Authority chairman concluded that there are circumstances enumerated in a list under subsection (b), indicating a defect in the reliability of a control permit holder or of its officer, and if he believes that the defect can be corrected he may order that it be corrected within a period that he shall set; if the defect cannot be corrected or if the period prescribed by the Authority chairman in an order given under this subsection has passed and the defect was not corrected, the Authority may – after it has given the permit holder an opportunity to present his arguments – suspend or cancel the permit.
- (b) The Authority shall prescribe a list of circumstances that indicate a defect in the reliability of a permit holder or of its officer; a said list shall be posted on the Authority's Internet site and a notice that the list was published, of any change in it and of the date on which they go into effect shall be published in Reshumot.

Orders to persons who acted without a control permit

- 44AA. (a) If the Authority chairman finds that a person is a controlling shareholder of a company that holds a platform license without having a control permit, he may – after he has given that person an opportunity to present his arguments – order:
 - (1) that some or all of the means of control held by that person be sold within a period that he shall set, so that he will no longer be a controlling

- shareholder;
- (2) that the voting rights or the right to appoint a Director or Chief Executive Officer by virtue of the means of control held by the person with no control permit not be used;
 - (3) that any vote by virtue of the means of control held by the person with no control permit not be counted in a vote;
 - (4) that the appointment of a Director or Chief Executive Officer caused by that person be canceled;
 - (5) that the company's platform license be canceled.
 - (b) If a person became a controlling shareholder of a company that holds a platform license through the transfer of means of control by virtue of an act of Law, the Authority may – after it has given that person an opportunity to present his arguments – order him to sell some or all of the said means of control within a period that it shall set, so that he will no longer be a controlling shareholder as aforesaid.
 - (c) If, under the provisions of subsection (b), the Authority ordered that the means of control be sold, it may give an order said in subsection (a)(2) to (4), *mutatis mutandis*.
 - (d) If the controlling shareholder did not sell the means of control according to orders from the Authority chairman or from the Authority under subsections (a) or (b), the Court may – on the Authority's petition – appoint a receiver for the sale of the said means of control.

Obligation to report to the Authority about reliability examinations

- 44BB. (a) A company that holds a platform license and also a control permit holder shall inform the Authority when one of the circumstances enumerated in section 27(c) of the Counseling Law occurs and everything about them or about an officer of them, in Israel or abroad.
- (b) An officer of a company that holds a platform license or of a controlling shareholder of a said company shall inform the company or the controlling shareholder, as the case may be, of any event said in subsection (a) immediately after he learned of it; a notice under this subsection shall include the particulars that the company or the controlling shareholder needs in order to comply with their obligation under subsection (a).

Regulations for the purposes of Chapter Seven "C"

- 44CC. The Minister of Finance may, on a proposal by the Authority or in consultation with it and with approval by the Knesset Finance Committee, prescribe provisions on these matters:
- (1) the permitted degree of leverage of financial instruments traded in a platform, including different degrees of leverage in respect of different kinds of financial instruments;
 - (2) the prevention of conflicts of interest between a company that holds a platform license (in this section: the company) – and its employees, service providers on its behalf or its controlling shareholders – and its clients;
 - (3) how the money of the company's clients is handled;

- (4) the information that the company must give its clients, including information about the trading platform, the financial instruments traded in it and their prices, and the transactions contracted in it;
- (5) the safekeeping of documents by the company;
- (6) the company's obligation to weigh whether activity in the trading platforms is appropriate for the client, including the degree of his understanding of the prospects and risks connected to activity in the trading platform;
- (7) how the company is publicized and marketed, including publications or notices to clients on the opportunities and risks connected to activity in the trading platform;
- (8) reports that the company must submit to the Authority and how they are to be made public;
- (9) the recording of transactions by the company.

Restrictions on applicability

- 44DD. (a) The provisions under this Chapter shall not apply to these:
- (1) the Bank of Israel;
 - (2) any person all of whose clients are of the categories enumerated in Schedule One, as well as banking corporations or auxiliary bodies corporate, as defined in the Banking (Licensing) Law 5741-1981, except when transactions enumerated in Schedule Four "A" are to be carried out by means of the trading platform.
- (b) The Minister of Finance may, by order in consultation with the Authority and with the Supervisor of Banks who was appointed under section 5 of the Banking Ordinance 1941, add additional categories of transactions to Schedule Four "A".

CHAPTER EIGHT: THE STOCK EXCHANGE

License

45. (a) No person shall open or operate a Stock Exchange, except under a license granted by the Minister of Finance after consultation with the Authority.
- (b) A license under this section shall be granted to a company that does not limit the number of its members and –
- (1) its memorandum of association restricts its objectives to the operation of a securities Stock Exchange;
 - (2) its by-laws ensure that its profits shall be used only for its objectives and shall not be distributed to its members, and that, upon its liquidation, the balance of its assets will be used for purposes that the Minister of Finance will prescribe; the provisions of this paragraph shall apply until after two or more licenses were issued under section 45(a).
 - (3) has made by-laws, as provided in section 46 and the by-laws were approved by the Minister of Finance after consultation with the Authority, and by the Knesset Finance Committee;

- (4) the Stock Exchange under its management will be in a city in which there is no Stock Exchange as yet.

Stock Exchange Board of Directors

- 45A. (a) The Board of Directors of a Stock Exchange (hereafter: Board) shall be composed of the following:
- (1) seven Directors elected by the members of the Stock Exchange, as prescribed in its charter and by-laws;
 - (2) five Directors appointed by the Appointments Committee with the approval of the Authority chairman (hereafter: outside Directors);
 - (3) a Director appointed by the Minister of Finance;
 - (4) a Director appointed by the Governor of the Bank of Israel;
 - (5) the chairman of the Board, to be elected by the Board with the consent of the Authority chairman, on condition that he meets the qualifications of an outside Director said in subsection (f) and that he is not a party with an interest in a body corporate, the securities of which are listed for trading on the Stock Exchange;
 - (6) the general manager of the Stock Exchange who will be elected by the Board, on condition that he meets the qualifications of an outside Director said in subsection (f) and that he is not a party with an interest in a body corporate, the securities of which are listed for trading on the Stock Exchange; the general manager of the Stock Exchange shall not have the right to vote;.
- (b) The term of office of an outside Director shall be two years and he may be appointed to two additional periods of two years each; when at least two years have passed after the end of the said term, he may again be appointed outside Director.
- (c) The term of office of the Board chairman shall be five years, and he may be elected to one additional five year period.
- (d) For the purposes of this section and of section 45B –
"Appointments Committee" – a committee composed of the following four members:
- (1) a judge appointed by the Minister of Justice with the consent of the President of the Supreme Court, who shall be chairman of the Committee and shall have the casting vote in case of a tie;
 - (2) the Authority chairman;
 - (3) the chairman of the Board;
 - (4) the dean of the business administration faculty of the university in the city in which the Stock Exchange is located, or a member of the academic staff appointed by him, on condition that he meets the qualifications of an outside Director;
- "party with an interest"** – alone or together with his relative.
- (e) The Appointments Committee shall prescribe its own rules and procedures.
- (f) An outside Director shall not be a Stock Exchange member or a party with an interest in it or an employee or party with an interest in a body corporate controlled by a Stock Exchange member, or an employee of a controlling shareholder of a Stock Exchange member, or a person

who regularly provides services to any of these against payment, or a party with an interest by virtue of holding shares in a body corporate, the securities of which are listed for trading on the Stock Exchange; the Minister of Finance may, by regulations, prescribe additional criteria for the qualification of outside Directors.

Lapse of an outside Director's term of office

- 45B. (a) An outside Director shall cease to hold office before the end of the period for which he was appointed when one of the following occurs:
- (1) he resigned by delivering a letter of resignation;
 - (2) he was absent from four consecutive meetings of the Board or from six sessions within one year, except if the Appointments Committee approved the continuation of his term of office, being convinced that there was a reasonable justification for his absence;
 - (3) the Appointments Committee concludes that he is unable to perform his duties;
 - (4) the Appointments Committee concludes that one of the conditions obtains that disqualifies him from serving as outside Director.
- (b) When an outside Director resigns from the Board before the end of the period for which he was appointed, he shall deliver to the Board a written notice of the reasons for his resignation and send a copy thereof to the Authority chairman.

Must not perform transactions with securities

45C The provisions of section 5(a) and (b) shall apply to Stock Exchange Board members and to Stock Exchange employees, but in respect of them the notification under section 5(b) shall be delivered to the Authority chairman and to the chairman of the Board.

Reporting

45D. Within six months after the end of each of its fiscal years a Stock Exchange shall submit its financial reports and a notice said in section 123A of the Companies Ordinance [New Version] 5743-1983 to the Registrar and to the Authority.

Stock Exchange by-laws

46. (a) Stock Exchange by-laws shall prescribe rules for the orderly and fair conduct of the Stock Exchange; without derogating from the aforesaid, by-laws may, for the said purpose, prescribe –
- (1) rules on membership in the Stock Exchange, including –
 - (a) qualifications for membership in the Stock Exchange and procedures for the admission of members;
 - (b) spheres of activity in which members may engage;
 - (c) obligations of members toward the Stock Exchange and its members, including obligations of disclosure, record keeping and reporting;
 - (d) rules on the behavior of Stock Exchange members toward

- their clients, including obligations of disclosure, record keeping and reporting;
 - (e) the Stock Exchange's supervision and control over the observance of Stock Exchange by-laws and guidelines by its members;;
 - (f) disciplinary offenses of and disciplinary jurisdiction over Stock Exchange members;
 - (g) conditions and procedures for the suspension of Stock Exchange members and for the cancellation of membership;
 - (h) the application of subparagraphs (a) to (g), mutatis mutandis, to companies active in spheres of activity permitted to Stock Exchange members and controlled by a Stock Exchange member or by its controlling shareholder ;
- (2) rules for listing securities for trading on the Stock Exchange (hereafter: listing for trading), including rules about –
- (a) the characteristics of a company, securities of which may be listed for trading, in terms of the time it has been active, the extent of its activity, its business results, the value of its assets and obligations, its links to other bodies corporate and its classification by registration categories; different aforesaid rules may be prescribed according to different spheres of economic activity in which companies engage;
 - (b) characteristics of securities that may be listed for trading, by categories, the minimum total value at the time of listing, the minimum proportion that must be held by the public immediately after listing and the degree of its dispersion and the maximum number of categories or series;
 - (c) the relationship between the price of securities to be issued and the price of that company's securities on the Stock Exchange, how the issue is to be made and how the issued securities are to be allocated;;
 - (d) *repealed*
 - (e) the listing for trading of securities allocated by a private offering;
 - (f) blocking any transaction or activity in securities by a holder or category of holders, for a period to be determined;
 - (g) obligating the company that all the shares in its issued capital be fully paid up shares;
 - (h) obligating the company that all the shares of its issued capital be listed for trading, and rules for exceptions to this rule, also in respect of industrial to which Encouragement of Industry (Taxes) Law 5729-1969 applies; a said obligation shall not apply to special shares of the State, as said in section 46B(1);
 - (i) obligating the company that all its securities be listed for

- trading in the name of a nominee company and rules for digressions from this rule, also in respect of companies the securities of which are listed for trading on a Stock Exchange abroad and also in respect of companies incorporated abroad;
- (3) rules on trading on the Stock Exchange, including rules on –
 - (a) times for trading;
 - (b) conducting the trade in separate trading groups and by different trading methods;
 - (c) supervision and control by the Stock Exchange over compliance with Stock Exchange by-laws and guidelines that relate to trading, and over the orderly conduct of trading;
 - (d) conditions and procedure for temporary interruptions or restrictions of trading in a security or a group of securities;
 - (e) restriction of trading on the Stock Exchange to Stock Exchange members and to persons so authorized by the Stock Exchange, and conditions for such authorization;
 - (f) publication of the results of trading;
 - (g) conditions and procedures for the performance of transactions outside the Stock Exchange by members of the Stock Exchange in securities listed for trading on the Stock Exchange;
 - (4) obligations of a company, the securities of which are listed for trading (hereafter: listed company), including –
 - (a) continuing compliance with rules prescribed for listing for trading, also after that listing, with changes that derive from the fact that the company's securities are listed for trading;
 - (b) the obligation to give notice of various occurrences and to deliver information requested by the Stock Exchange;
 - (5) conditions and procedures for the suspension of trading in a security or for the cancellation of a security's listing for trading, including cancellation at the listed company's initiative;
 - (6) rules on the publication of information by the Stock Exchange, including information that relates to trading, to Stock Exchange members and to listed companies;
 - (7) fees, listing fees and handling fees for the services of the Stock Exchange;
 - (8) the applicability of rules in the by-laws to a body corporate that is not a company and to units of a closed fund, as defined in the Joint Investment Trusts Law, and the adjustments necessary therefor.
- (b) Stock Exchange by-laws may prescribe that the Board of Directors of the Stock Exchange may refuse to list securities for trading on the Stock Exchange, if it concluded that there is a substantive conflict of interests between the company and its controlling shareholder or between the company and a company controlled by its controlling shareholder, provided that an aforesaid decision was adopted by two

- thirds of the board members who participated in the meeting and were entitled to participate in the vote, after the company was given a fair opportunity to present its stand to the Board of Directors in writing.
- (c) Stock Exchange by-laws and every amendment thereof may include transitional provisions for the provisions prescribed in them.
 - (d) The Board of Directors of the Stock Exchange may prescribe, with the Authority's approval, guidelines that include particulars, conditions and restrictions in respect of rules prescribed in the by-laws, wherever the by-laws explicitly empower it to do so by.

Temporary guidelines

- 46A. (a) Notwithstanding the provisions of section 46, the Stock Exchange may – if it finds it necessary to do so – prescribe temporary guidelines on the matters under section 46, in order to try them out before they are incorporated in the Stock Exchange by-laws as permanent provisions.
- (b) Temporary guidelines require the Authority's approval.
 - (c) The Authority shall inform the Minister of Finance and the Knesset Finance Committee of temporary guidelines and they shall go into effect 14 days after notice was given, if until then no member of the Committee demanded that the Committee cancel them; if such a demand is made, the Committee shall consider it and the guidelines shall go into effect 30 days after the demand, if the Committee did not cancel them.
 - (d) The effect of temporary guidelines shall be for not more than one year, but – with the Authority's approval – it may be extended for a period of not more than one additional year.
 - (e) The Stock Exchange shall report to the Authority – at a time and in a manner prescribed by the Authority – on the manner in which temporary guidelines were implemented and on the results of their implementation.
 - (f) Temporary guidelines shall be made public in the manner in which the Stock Exchange by-laws and Stock Exchange by-law amendments are made public, as said in section 49.

Equal voting rights

- 46B. (a) A Stock Exchange shall not list for trading on it shares or securities convertible into or realizable as shares, unless it concluded that the following conditions have been assured:
- (1) in respect of a company, the shares of which are being listed for trading for the first time – that the company's capital includes only one category of shares that carry equal voting rights in proportion to their face value; this condition shall not apply to special State shares; this provision shall not prevent a company from issuing preference shares, on condition that one year has passed since the day on which its shares were first listed for trading;
 - (2) in respect of a listed company within its meaning in section 46(a)(4) – that every additional share issue shall be of shares

with the greatest voting power; this provision shall not prevent a listed company, the capital of which includes only kinds of shares permissible under paragraph (1), from issuing preference shares on or after January 1, 1992, or one year after the day on which its capital only included shares as aforesaid, whichever is later.

- (b) In this section –
"preference shares" – shares that carry preference rights to dividends and do not carry voting rights;
"special State shares" – shares that the Government decided it needs in order to protect a vital matter and that vest in it special rights, as the Government prescribed by its decision before the listing for trading.

Obligations of founders' share holders

46C Whoever held on August 1, 1990, founders' shares and also capital shares in a listed company shall continue to hold – he or any person who acquired the founders' shares from him – capital shares in a proportion that is not less than the proportion of his holding on that date, except to the extent that a reduction of the proportion of his share holding derived only from rights that before the said date were vested in other holders of the company's securities to realize or convert those securities into capital shares; this provision shall not derogate from the applicability of section 46B(a)(2) to the listed company.

Appeal and petition against a decision of the Stock Exchange

47. (a) Whoever deems himself injured by a decision of the Stock Exchange in a disciplinary proceeding may appeal against it before the Court.
 (b) Whoever deems himself injured by a decision of the Stock Exchange that is not as said in subsection (a), is not a decision in the course of trading on the Stock Exchange and is not a decision on a matter of by-laws or guidelines may petition the Economic Department within its meaning in section 42D of the Courts Law [Consolidated Version] 5744-1984; notice that proceedings under this subsection were initiated shall be given to the Authority and the Authority may appear in those proceedings and state its case; for this purpose, "**decision on a matter of by-laws or guidelines**" – a decision under sections 46 and 46A, the purpose of which is to determine the by-laws, guidelines or temporary guidelines of the Stock Exchange, including a decision to change or cancel them.

Change of Stock Exchange by-laws

48. (a) The Board of Directors of the Stock Exchange may change the Stock Exchange by-laws; the change requires approval by the Minister of Finance after consultation with the Authority, and approval by the Knesset Finance Committee.
 (b) If the Authority concludes that a change in the Stock Exchange by-laws should be introduced for the sake of the Stock Exchange's proper and fair operation, it shall so inform the Stock Exchange; if the Stock Exchange did not change its by-laws according to that notification

within the time prescribed in it, the Minister of Finance may, on the Authority's recommendation and with approval by the Knesset Finance Committee, change them by order, and the change shall go into effect at the time specified in the order.

- (c) A change under subsection (b) must not be revoked or changed by the Stock Exchange, except with the consent of the Minister of Finance.

Publication of Stock Exchange by-laws

49. The Stock Exchange by-laws and any change in them shall be published in a manner that the Minister of Finance shall prescribe.

Continuity of operation of Stock Exchange

50. (a) The Stock Exchange shall not be closed except if, in its opinion or in the opinion of the Minister of Finance, that must be done for the benefit of the investing public.
- (b) The Stock Exchange shall not decide to close for more than one business day, except with approval by the Minister of Finance.
- (c) If the Stock Exchange decided to close the Stock Exchange, it shall immediately notify the Minister of Finance and the Minister may order that it not be closed or that it be reopened.

Stability of Clearing Houses

- 50A. (a) In this section –
- "Stock Exchange"** – including a Stock Exchange abroad that was approved by whoever has the right to approve it under the Law of the state where it operates, and also an organized market;
- "Stock Exchange member"** – in respect of a Stock Exchange defined in section 1 – whoever is a member of the Stock Exchange according to the Stock Exchange by-laws within their meaning in section 46, and in respect of a Stock Exchange abroad or an organized market, as said in the definition of "Stock Exchange" in this subsection – whoever was approved by them as member or participant in them;
- "Clearing House member"** – whoever was approved by the Clearing House as a member in it, other than the Bank of Israel;
- "Clearing House"** – each of the following:
- (1) the Tel Aviv Stock Stock Exchange Clearing House Ltd.;
 - (2) the Maof Clearing House Ltd.;
 - (3) another body corporate controlled by a Stock Exchange, as defined in section 1, which clears securities;
- "financial broker"** – each of the following:
- (1) a Stock Exchange member;
 - (2) a Clearing House;
 - (3) the Bank of Israel.
- (b) (1) A Stock Exchange member, who on the Stock Exchange bought securities that are cleared through the Clearing House, is not entitled to the securities he acquired as aforesaid, except if the Clearing House received the full consideration for them;
- (2) if the full consideration for them was not received by the Clearing House as said in paragraph (1), ownership of the

securities shall be vested in the Clearing House; for this purpose the provisions of section 34 of the Sale Law 5728-1968 shall apply to the Clearing House and it shall be deemed to have purchased the securities from a person who engages in the sale of the category of goods to which the sold goods belong and the sale was in the ordinary course of his business.

- (c) A Stock Exchange member who sold on the Stock Exchange securities that are cleared through the Clearing House is not entitled to the consideration received for them, except if he transferred the securities he sold as aforesaid to the Clearing House.
- (c1) The provisions of subsections (b) and (c) shall also apply, mutatis mutandis, to a transfer of securities cleared through the Clearing House that is one of the following, and for purpose of the said subsections the person who transferred the securities shall be deemed to have sold them on the Stock Exchange and the person who received the securities shall be deemed to have bought them on the Stock Exchange.:
 - (1) a transfer from a Stock Exchange member who bought the securities on the Stock Exchange to another Stock Exchange member who holds the securities for the person for whom the securities were bought on the Stock Exchange;
 - (2) a transfer from a Stock Exchange member who holds the securities for the person for whom the securities are being sold on the Stock Exchange to another Stock Exchange member for sale on the Stock Exchange.
- (c2) In respect of subsections (b) and (c), a purchase or sale of securities shall also be deemed a purchase on the Stock Exchange or a sale on the Stock Exchange, if it constitutes part of a securities resale transaction that was agreed to be carried out or the right to carry it out at the end of a period agreed in advance or upon the occurrence of a condition that was agreed in advance was vested, for this purpose, "**securities resale transaction**" – as defined in the Financial Asset Agreements Law 5766-2003.
- (d) Any charge on securities that serves as collateral for a Clearing House member's obligation toward the Clearing House also is in effect toward other creditors of that Clearing House member and it shall be deemed a permanent first charge, on condition that one of the following holds true:
 - (1) the securities are registered with a financial broker, including the Clearing House itself, to the credit of the Clearing House to the benefit of which the charge was created, or they are registered with a nominee company to the credit of the Clearing House;
 - (2) the securities are registered with a financial broker other than the Clearing House to the benefit of which the charge was created and the financial broker undertake before the Clearing House to the credit of which the charge was made to act as follows:
 - (a) to act according to instructions from the Clearing House,

- with no need to obtain the Clearing House member's consent, on condition that he received the Clearing House member's consent thereto in advance;
- (b) not to act under directions from any person other than the Clearing House and the Clearing House member;
- (3) the securities are registered to the Clearing House member's credit with the Clearing House, to the benefit of which the charge was created, and the following two conditions hold true:
- (a) the Clearing House obtained the Clearing House member's consent in advance that it act on its own without having to obtain his consent;
 - (b) the Clearing House assumed an obligation toward the Clearing House member not to act under the instructions of any person other than itself and other than the Clearing House member.
- (e) A charge on securities that is collateral for the obligations of a Clearing House member or of another person toward the Clearing House, may be exercised by the Clearing House even without an order from a Court or from the Chief Execution Officer, as said in section 17 of the Pledges Law 5727-1967, by selling the securities on the Stock Exchange or by any other reasonable commercial method, on condition that one of the following holds true for the charge on those securities:
- (1) the provisions of subsection (d)(1);
 - (2) the securities are registered to the credit of the person who created the charge with a financial broker other than the Clearing House, to the benefit of which the charge was created, and the financial broker assumed the obligation, toward the Clearing House to whose credit the charge was created, that he will act according to its instructions without having to obtain the consent of whoever created the charge, on condition that he obtained consent thereto in advance from the person who created the charge;
 - (3) the securities are registered with the Clearing House, to whose benefit the charge was created, to the credit of the person who created the charge;
 - (4) the person who created the charge gave the Clearing House a power of attorney to vest rights to the securities in another.
- (f) The Clearing House may exercise a charge under the provisions of subsection (e) without giving the person who created the charge advance notice of its intention to exercise the charge; the Clearing House shall give the person who created the charge notice of the exercise immediately after it was carried out.
- (g) The Clearing House is liable to the person who created the charge for any damage caused him by exercising the charge otherwise than according to the provisions of subsections (e) and (f).
- (h) The provisions of this section shall prevail, notwithstanding the provisions of any statute, including the Companies Ordinance [New Version] 5743-1983, the Pledges Law 5727-1967 and the Companies

Law and they shall also apply to rights to a security; however, the provisions of this section shall not derogate from the right of the Clearing House to act in connection with any charge on securities and its exercise according to provisions of any other statute.

- (i) The provisions of subsection (d) shall not derogate from the validity of any charge on securities, which guarantees the obligation of a Clearing House member toward a third party, if under the provisions of any statute it was valid toward other creditors of the Clearing House member before the Securities Law (Amendment No. 26) 5765-2004 went onto effect.

Obligations of the Clearing House

50B. A Clearing House, as defined in section 50A, shall be responsible for fulfillment of the conditions and requirements that apply to it under the provisions of this Law, including these conditions:

- (1) the formulation of Rules that will assure the stability, efficiency and orderly operation of the Clearing House, including Rules on continued membership in the Clearing House of a person it certified as its member (in this section: Clearing House member), against whom liquidation proceedings are in progress, and on means for enforcement of the said Rules;
- (2) the operation of the Clearing House in a manner that will assure its stability, efficiency and orderly operation;
- (3) the existence of means for the management, prevention and limitation of risks that are liable to exist or that exist in a Clearing House;
- (4) the existence of back-up arrangements in the Clearing House for the eventuality of an emergency.

Supervision of Clearing House operations by the Authority

50C. (a) The Authority shall audit the Clearing House, as defined in section 50A., in order to assure its stability and efficiency, as said in section 10 of the Payment Systems Law 5768-2008; to that end it shall examine – inter alia – compliance of the Clearing House with the provisions of section 50B and of this section, and whether the Rules of the Clearing House are appropriate.

- (b) If the Authority concluded that a Clearing House does not comply with any of its obligations under section 50B, it may – after it gave the Clearing House and the Clearing House members, within their meaning in section 50B(1), an opportunity to present their arguments – order the Clearing House to comply with the said obligation in a manner and within a period that it shall prescribe, and – inter alia – it may order it to enact or change Rules according to the provisions of section 50B, or to operate the Clearing House according to the provisions of the said section.
- (c) If the Clearing House did not comply with an order from the Authority under subsection (b) to make or to change Rules, the Authority itself may make or change them; when the Authority has made or changed Rules under this subsection, it shall inform the Clearing House thereof and it shall publish the Rules that were made or changed as aforesaid

or post a notice thereof on the Authority's Internet site; the Clearing House shall give notice to the Clearing House members according to the Clearing House Rules that Rules within the meaning of section 50B(1) have been made or changed; the Rules or their change shall go into effect at the time prescribed in the said publication or notice.

- (d) The Authority chairman or a person he so authorized may demand of the Clearing House or of a Clearing House member, within the meaning thereof in section 50B(1), at a time and in a manner that he shall prescribe, any information or document required by the Authority for the implementation of provisions under this section, including information on the amount and extent of payment orders received or carried out by the Clearing House, and information on the Clearing House Rules, provided that no information be demanded that results in the disclosure of the identity of recipients of Clearing House services, unless the Authority chairman holds that a said disclosure is essential for implementation of the provisions under this section.
- (e) In this section, "**Clearing House Rules**" – the Rules under which the Clearing House operates.

Supervision by the Authority over activities of Stock Exchange

- 51. (a) The Authority shall supervise the orderly and fair management of the Stock Exchange.
- (b) If the Authority concludes – after it gave the chairman of the Stock Exchange Board of Directors an appropriate opportunity to present his arguments – that the Stock Exchange acts in conflict with the provisions of its by-laws or guidelines or in a manner that constitutes a violation of its orderly and fair management, the Authority shall address the Stock Exchange and instruct it on the appropriate action to take.
- (c) The Stock Exchange shall deliver to the Authority reports on its activities at the times and according to the particulars prescribed by the Authority, and it shall give the Authority, on its demand, information on the affairs of the Stock Exchange.
- (d) A representative of the Authority may be present at General Meetings of the Stock Exchange and at meetings of its Board of Directors and of its committees.

Definition

- 52. In this Chapter, "**securities**" – including securities not included in the definition in section 1, including units of closed funds, as defined in the Joint Investment Trusts Law.

CHAPTER EIGHT "A": RESTRICTION ON THE USE OF INSIDE INFORMATION

Definitions

- 52A. In this Chapter –
 - "**company**" – a body corporate, the securities of which were offered to the public by prospectus or are traded on a Stock Exchange and are held by the

public, including a subsidiary or associated company of that company;

"**securities**" – as defined in section 52;

"**underlying asset**" – the asset that is the subject of the undertaking in the security;

"**inside information**" – information on a development in a company, on a change in its condition, or an expected development or change or other information about the company that is not known to the public and that, if it became known to the public, might cause a significant change in the price of a security of the company, or in the price of some other security, for which the company's security is an underlying asset;

"**insider**", in a company –

- (1) Director, general manager, principal shareholder of the company or any other person whose status or function in or whose relations with the company gives him access to inside information on the determining day or within six months prior to it; for this purpose, "**determining day**" – the day on which use is made of inside information;
- (2) a relative of one of those said in paragraph (1);
- (3) a body corporate controlled by one of the persons enumerated in paragraphs (1) and (2);

"**principal shareholder**", in a company – a shareholder who holds 5% or more of the nominal value of the issued share capital or of the voting power, or who can appoint one or more Directors; for this purpose –

"**holding**" – whether alone or with others, directly or indirectly, through a trustee, a trust company or a nominee company or in any other manner; in respect of holding by a company – also by its subsidiary by implication, and in respect of holding by an individual, that individual and his relatives who live with him or whose livelihoods depend on each other shall be deemed one person;

"**holding securities together with others**" – holding securities in cooperation between two or more persons by agreement, whether written or verbal;

"**transaction**" – the sale, purchase, or Stock Exchange of a security, subscription to a security or an undertaking to do any such act, whether the person who performs the act does so for his own benefit or for that of another, and even if he acts through an agent or trustee.

Use of inside information

52B. (a) A person who does one of the following makes use of inside information:

- (1) he performs a transaction with a security of a company – other than the security of a subsidiary or of an associated company that has not issued securities to the public under a prospectus or the securities of which are not traded on a Stock Exchange, or he performs a transaction with another security for which the company's security is an underlying asset – all while inside information is in his or in the company's possession;
- (2) he delivers inside information or an opinion on the security of a company or on some other security for which the security of the

company is an underlying asset while inside information is in his possession to any person who – he knows or has reasonable grounds to believe – will make use of the inside information or will utilize the opinion for purposes of a transaction or will pass it on to another.

- (b) A body corporate shall be deemed to have access to inside information or to have inside information in its possession if a Director or employee of the body corporate has access to such information or has such information in his possession, except if the following conditions are met:
- (1) The body corporate formulated and suitably published guidelines, according to which –
 - (a) a Director or employee employed by the body corporate in effecting transactions in securities or in giving opinions or advice in connection with securities shall not, on its behalf, perform a function that involves access to inside information;
 - (b) a Director or employee who has inside information shall not, on behalf of the body corporate, effect transactions in securities of the company to which the information relates or in other securities for which the company's securities are underlying assets, and he shall not give opinions or advice in connection with said securities;
 - (c) a Director or employee said in subparagraph (b) shall not transmit the inside information in his possession to any person who he knows or has reasonable grounds to believe will make use thereof for transactions, or give an opinion or pass it on to another;
 - (d) a Director or employee said in subparagraph (b) shall not transmit inside information that he has to any other person, even if he is not included in subparagraph (c), unless that is necessary for the performance of his functions in the body corporate;
 - (2) "**transaction**", for the purposes of paragraphs (1)(b) to (d) – other than a transaction, in respect of which a defense is provided under section 52G(a)(1) to (4), (6) or (8);
 - (3) the arrangements necessary to ensure compliance with the guidelines said in paragraph (1) have been made in the body corporate, and there is internal control to ascertain compliance with them.

Use of information by an insider

- 52C (a) An insider in a company shall not make use of inside information.
- (b) An insider in a company who makes use of inside information that he has in violation of the provisions of subsection (a) shall be liable to five years imprisonment or to a fine five times the fine set in section 61(a)(4) of the Penal Law 5737-1977 (hereafter: Penal Law), and if it is a body corporate – to a fine twenty-five times the fine set in that section.

Use of information that originates from an insider

- 52D (a) Persons shall not make use of inside information that directly or indirectly reached them from a company insider.
- (b) A person who makes use of inside information that directly or indirectly reached him from a company insider in violation of the provisions of subsection (a) shall be liable to two years imprisonment or to a fine two and a half times the fine prescribed in section 61(a)(3) of the Penal Law, and if it is a body corporate – to a fine twelve and a half times the fine prescribed in that section;

Presumption that inside information was used

- 52E. (a) If a principal insider in a company buys securities of the company in which he is a principal insider or other securities for which the company's securities are an underlying asset within three months after the day on which he sold said securities, or if he sells such securities within three months after the day on which he bought said securities, that shall be prima facie evidence that he made use of inside information that he had, except if he proves that he had no inside information at the time of the sale or purchase or that, under the circumstances of the case, it is reasonable that he had no inside information at that time.
- (b) For purposes of this section, "**principal insider in a company**" –
- (1) Director, general manager, deputy general manager, assistant general manager, accountant, internal auditor and any person who performs the function of one of them under a different title, and also an individual who is a principal shareholder of the company;
 - (2) a relative of one of those enumerated in paragraph (1);
 - (3) a body corporate controlled by one of those enumerated in paragraphs (1) and (2).

Information that is not inside information

- 52F. (a) Information is not deemed inside information if a report about the information was delivered to the Authority or to the Stock Exchange and the Authority or the Stock Exchange published it, or if it was published in some other manner that is customary for bringing such information to the public's knowledge, and if one trading day on the Stock Exchange passed after the date of the aforesaid publication; if the Authority or the Stock Exchange does not publish the information within four days after the day on which it was reported, the information shall cease to be inside information at the end of that period.
- (b) A person who claims that any information was delivered or published as said in subsection (a) shall bear the burden of proof.

Defense

- 52G. (a) A person shall not bear criminal liability and shall not be liable under section 52C(a), 52D or 52H, if he proves one of the following:

- (1) that the only purpose of the transaction effected by him was the acquisition of qualifying shares that, according to the by-laws of a company, a Director must acquire as a condition of his appointment;
 - (2) that the transaction he made was a bona fide act within the scope of his function as liquidator, receiver or trustee in bankruptcy or for the realization of collateral;
 - (3) that the transaction he made was the bona fide implementation of an underwriting contract;
 - (4) that the purpose of using inside information was not, or essentially was not to gain a profit or to avoid a loss for himself or another;
 - (5) that he made the transaction with securities of the company about which he had inside information or with other securities for which the company's securities are the underlying asset as agent for another, without any exercise of discretion on his part or without having given any information or opinion that caused the transaction to be concluded;
 - (6) that the transaction he effected was an off-Stock Exchange transaction with a person who also was in possession of the inside information;
 - (7) that the transaction was effected for an insider by a trustee who acted by way of a blind trust; for this purpose, "**blind trust**" – a trust exercised at the trustee's sole discretion and without intervention by the insider;
 - (8) repealed
 - (9) that the transaction was justified under the circumstances of the case.
- (b) A body corporate shall not bear criminal liability under this Chapter and shall not be held liable under section 52C(a), 52D or 52H, even though a director or employee thereof has access to or is in possession of inside information about the body corporate, the security of which or another security for which the company's security is an underlying asset is the subject of the transaction or of the opinion, if it proves that the decision to enter into the transaction or to give the opinion was not made by the director or the employee who had the information and that there is a reasonable explanation for the transaction having been carried out or the opinion having been given.

Profit from use of inside information

- 52H. (a) If profit accrued to a person from a transaction effected by him or by another while using inside information, the company in respect of whose security the transaction was effected may claim it from that person.
- (b) A profit under subsection (a) is the amount of the difference between the price of the security at which the transaction was carried out and its price immediately after the inside information became known to the public.

Security transactions by Stock Exchange employee

- 52I. (a) In this section –
"employee of a Stock Exchange member" – a Director or employee of a Stock Exchange member, his spouse or other dependent relative, or a body corporate controlled by one of them;
"security" – a share or a security capable of being realized or converted into a share, which is listed for trading on a Stock Exchange.
- (b) Employees of Stock Exchange members shall not buy or sell securities, except in the course of trading on the Stock Exchange by way of written orders that he gave at least one day before the purchase or sale is made.
- (c) An employee of a Stock Exchange member shall hold his securities in an account in his name with the Stock Exchange member.
- (d) (1) A Director or employee of a Stock Exchange member who carries out transactions in securities on behalf of others shall give orders as said in subsection (b) only through that Stock Exchange member; if the Stock Exchange member has more than one branch, the Director or employee shall give the orders at the branch where he is employed;
 (2) any other employee of a Stock Exchange member shall give all his order as said in subsection (b) through only one Stock Exchange member; if that Stock Exchange member has more than one branch, he shall place orders only at one branch and he shall keep his securities account there.
- (e) The Minister of Finance may, by regulations after consultation with the Authority and with approval by the Knesset Finance Committee, make regulations to prohibit trading in securities by employees of Stock Exchange members, either generally or in respect of categories of employees of Stock Exchange members or of securities or according to some other classification, and he may also prescribe what constitutes trading for this purpose.

Saving of transaction

- 52J. No transaction shall be invalid only because its performance constitutes a violation of provisions of this Chapter.

CHAPTER EIGHT "B": LIABILITY FOR VIOLATIONS**Liability of issuers**

- 52K. (a) An issuer is liable to the holder of securities issued by him for any damage caused him because the issuer violated any provision of this Law or of regulations under it, or a provision of the trusteeship deed, according to which the issuer has an obligation toward the trustee for the holders of debentures that he issued.
- (b) The liability said in subsection (a) shall also apply to Directors of the issuer, to its general manger and to controlling shareholder s of the

issuer.

Liability of trustees

- 52L. (a) A trustee for holders of debentures is liable to the debenture holders for any damage caused them because the trustee violated any provision of Chapter Five "A" or of regulations under it or any obligation incumbent upon him under the trusteeship deed.
- (b) The prescription period for a claim under subsection (a) for violation of the trustee's reporting obligation under section 35H1, in respect of which action had not been brought, is two years after the report was submitted or after the date for submitting the report according to the provision of the statute, whichever is later.

Liability does not apply

- 52M. (a) The liability under sections 52K and 52L shall not apply –
- (1) to whoever proved that he took all appropriate steps to prevent the violation;
 - (2) to whoever proved that he did not know about the violation, was not required to know or could not have known about it;
 - (3) toward whoever was proved to have bought the issuer's securities while he knew or should have known of the violation.
- (b) Notwithstanding the provisions of any statute, a trustee who fulfilled his responsibility in good faith and within a reasonable time and also clarified the facts that a reasonable trustee would have clarified under the circumstances of the case shall not be liable to debenture holders for any damage caused them because the trustee used his discretion under the provisions of sections 35H(d1) or 35I1, except if the plaintiff proved that the trustee acted with severe negligence; however, if the trusteeship deed includes a provision on the denial of liability under this section that is stricter with the trustee, the provision prescribed in the trusteeship deed shall apply to this matter.
- (c) If the trustee acted in good faith and without negligence according to the provisions of section 35H(d2) or (d3), he shall not be liable in respect of the performance of the said act.

Several liable persons

52N When two or more persons are liable under sections 52K to 52M, they are liable to the injured party severally and jointly; they are mutually liable to each other according to the rules that apply to liability for civil wrongs.

Postponement of the payment of obligation to a controlling shareholder in a reporting body corporate in trouble

- 52N1.(a) A controlling shareholder of a reporting body corporate in difficulties, who holds debentures of that body, shall not be entitled to have the obligation paid to him by the body corporate, except after the body corporate paid in full all its obligations to other holders of debentures, including payments of interest and linkage differentials, as prescribed in the trusteeship deed; in this section –
- "reporting body corporate in difficulties"** – a reporting body

corporate that announced that it is not able to pay its obligations under debentures, a reporting body corporate that did not pay its said obligations or a reporting body corporate in liquidation proceedings or in receivership under the Companies Ordinance [Consolidated Version] 5743-1983;

"holding" – as defined in section 1, other than holdings of debentures by a controlling shareholder of a body corporate in difficulties in one of the following manners:

- (1) through a company in which the reporting body corporate in difficulties that issued the debentures holds shares, on condition that the other holders of the said company's shares are not controlled by the controlling shareholder of the reporting body corporate in difficulties;
- (2) through one of the investors enumerated in items (1) to (4) of Schedule One;
- (3) in trust for another who is not a controlling shareholder of the reporting body corporate in difficulties;

"debentures" – as defined in section 35A.

- (b) The provisions of subsection (a) shall not apply when one of the following is the case:
 - (1) it was explicitly decided differently as part of a compromise or arrangement approved by a special Holders Meeting of the debentures of that series, or as part of a compromise or arrangement approved under Chapter Three in Part Nine of the Companies Law; the votes of controlling shareholders who hold debentures shall not be taken into account in the vote at the meeting;
 - (2) the controlling shareholder holds the debentures since they were first issued.

CHAPTER EIGHT "C": IMPOSITION OF MONETARY COMPOSITION BY THE AUTHORITY

Imposition of monetary composition by the Authority

520. (a) If a person violated any provision under this Law that applies to him, as specified in Schedule Five (in this Chapter: violator and violation, respectively) the Authority may impose monetary composition on the violator under the provisions of this Chapter in the amount prescribed in his respect in Schedule Six.
- (b) The amount of monetary composition in respect of a violator that is a body corporate enumerated below shall be set according to Schedule Six, according to the grade in which it is classified according to the said Schedule; the grade of a body corporate shall be determined for the purposes of Schedule Six as specified below, as the case may be:
 - (1) in respect of a reporting body corporate or a body corporate that is not a reporting body corporate that offered its securities to the public – its grade shall be determined according to the equity of

- the body corporate according to the last financial reports that it submitted to the Authority under this Law or according to the financial reports that were included in a draft prospectus, prospectus or registration document, according to which securities of the body corporate were offered to the public and which were submitted before the date on which the violation was committed, whichever is the latest;
- (2) in respect of a body corporate that is an underwriter – its grade shall be determined according to the extent of its underwriting obligations, according to the last report that it submitted to the Authority under this Law before the date on which the violation was committed, and if it was not required to submit a said report its grade shall be Grade A;
 - (3) in respect of a body corporate the main occupation of which is the issue of financial products – its grade shall be determined according to the net value of its obligations according to the last financial reports that it submitted to the Authority under this Law or according to the financial reports that were included in a draft prospectus, prospectus or registration document, according to which securities of the body corporate were issued to the public, which were submitted before the date on which the violation was committed, whichever is the latest; for this purpose –
 - "**financial product**" – a security, the value of which is determined by the value of an underlying asset;
 - "**securities**" – as defined in section 52;
 - "**underlying asset**" – as defined in section 52A; for this purpose, "**asset**" – a security, interest, currency, merchandise, index or any combination of these;
 - "**net value of obligations**" – the total value of the debentures listed for trading on the Stock Exchange, less the value of debentures that do not give their holders any rights.

Notice of the intention to charge

- 52P. (a) If the Authority has reasonable grounds to assume that an offense was committed and if it intends to impose on the violator monetary composition under this Chapter, the violator shall be given notice of the Authority's said intention (in this Chapter: notice of intention to charge), provided that one year has not yet passed since the date on which the Authority discovered the commission of the offense or three years have not yet passed since the offense was committed, whichever was earlier.
- (b) In a notice of the intention to charge the Authority shall state, inter alia, the following:
- (1) particulars of the act or omission (in this Chapter: the act) that constitutes the violation;
 - (2) the amount of monetary composition that can be imposed on the violator in respect of the violation and the period for its payment according to the provisions of section 52V;

- (3) the violator's right to present its arguments to the Authority according to the provisions of section 52Q;
- (4) the amount of addition to the monetary composition in the case of a continuing violation or of a repeated violation, according to the provisions of section 52S.

Right to present arguments

52Q. A violator who was given a notice of the intention to charge may – within 30 days after the notice was served – present to the Authority its written arguments on the intention to impose monetary composition on it and on the amount thereof.

The Authority's decision and demand for payment

- 52R. (a) The Authority shall decide, after it weighed the violator's arguments that were presented under the provisions of section 52Q, whether to impose monetary composition on the violator and it may reduce the amount of the monetary composition according to the provisions of section 52T(b).
- (b) (1) If the Authority decided under subsection (a) to impose monetary composition on the violator, it shall give him a demand to pay the monetary composition (in this Chapter: demand for payment); in the demand for payment the Authority shall specify, inter alia, the updated amount of monetary composition that the violator must pay, as said in section 52U, and the date for its payment according to the provisions of section 52V.
 - (2) If the Authority decided under subsection (a) not to impose monetary composition on the violator, it shall give him a notice to that effect.

Continuing violation and repeated violation

- 52S. (a) In the case of a continuing violation the amount of the monetary composition shall be increased by 2% for each day on which the offense continues.
- (a1) The amount of monetary composition under subsection (a) shall not be greater than three times the amount that could have been imposed for the violation, had it not been a continuing violation, and in respect of the non-submission of a periodic or quarterly report at the time set therefor in violation of provisions under section 36 – not greater than five times the amount that could have been imposed for the violation, had it not been a continuing violation.
 - (b) In the case of a repeated violation the amount of the monetary composition that could have been imposed for it, if it were a first violation, shall be increased by an amount equal to one half of the said monetary composition; for this purpose, "**repeated violation**" – the violation of any provision under this Law, as specified in Schedule Five, within two years after the previous violation of the same provision in respect of which the Authority imposed monetary composition under this Chapter, in respect of which the

Administrative Enforcement Committee imposed means of enforcement on the violator or in respect of which the violator was convicted.

Reduced amounts

- 52T. (a) The Authority does not have the right to impose monetary composition in an amount lower than the amounts specified in Schedule Six, except under the provisions of subsection (b).
- (b) The Minister of Finance may, with the consent of the Minister of Justice, designate cases, circumstances and considerations, because of which it shall be possible to reduce the amount of monetary composition set in Schedule Six by maximum rates that he shall prescribe.

Updated amount of monetary composition

- 52U. (a) Monetary composition shall be according to its updated amount on the day the demand for payment is delivered; if a petition against the demand for payment was submitted and payment of monetary composition was stayed under section 52Z, the monetary composition shall be according to its updated amount on the day the Authority agreed that the payment be stayed or on the day the Court ordered payment to be stayed, as said in section 52Z; for the purposes of this subsection, "**updated amount**" – the amount of monetary composition, including an amount added because of a continuing violation under section 52S, updated according to subsection (b).
- (b) If the rate of change of the index – of the last index published before January 1 of a certain year (in this subsection: updating day) over the index of January 2010 or over the index on the last updating day under this subsection, whichever was later – was greater than 20%, the Authority chairman may update the amounts of equity and of monetary composition prescribed in Schedule Six on the updating day and round the said amounts off to the nearest NS 1,000; for this purpose, "**index**" – the consumer price index that the Central Bureau of Statistics publishes.
- (c) A notice of the updated amount of monetary composition shall be published in Reshumot.

Time for payment of monetary composition

52V. Monetary composition shall be paid within 30 days after the demand for payment said in section 52R(b)(1) was served.

Spreading payment of monetary composition

- 52W. (a) Upon a request by the violator the Authority may decide to spread payment of monetary composition, even if it decided to reduce it under section 52T(b), provided the number of payments does not exceed ten monthly payments.
- (b) The monthly payment said in subsection (a) shall be updated as of the date of its payment, plus linkage differentials and interest under the Adjudication of Interest and Linkage Law 5721-1961 (in this Chapter: linkage differentials and interest); if the violator did not pay a monthly

payment on time, the Authority's decision to spread the payment said in subsection (a) shall be deemed to be void and the provisions of section 52X shall apply to the balance of the composition.

Arrears interest

52X. If monetary composition was not paid on time, arrears interest under the Adjudication of Interest and Linkage Law 5721-1961 shall be added to it for the period in arrears until it is paid.

Collection

52Y. Monetary composition shall be collected for the State Treasury and the Taxes (Collection) Ordinance shall apply to its collection.

Stay of payment and refund

- 52Z. (a) Bringing a petition against a demand for payment under this Chapter shall not stay payment of monetary composition or publication of the decision or submission of the immediate report under section 52AA, except if the Authority agreed thereto or the Court so ordered.
- (b) If a petition said in subsection (a) was accepted after monetary composition had been paid, the monetary composition shall be refunded with the addition of linkage differentials and interest from the day of payment to the day of the refund.

Publication and immediate report of the demand for payment

- 52AA.(a) When a demand for payment has been served on the violator, the Authority shall post its decision to impose monetary composition on its Internet site, and also the nature and circumstances of the violation because of which the demand for payment was sent, the violator's name, and if the violator is an interested party or senior officer in a body corporate – also the name of the body corporate in which he is an interested party or senior officer and the amount of monetary composition imposed on the violator according to the demand for payment.
- (b) When a demand for payment has been served on a violator that is a reporting factor or on an interested party or senior officer thereof, the reporting factor shall publish, in an immediate report under sections 36(c), 44CC or 56(c)(3), under section 27C of the Counseling Law or section 72(a) of the Joint Investment Trusts Law, as the case may be, the particulars said in subsection (a) in respect of that demand for payment; for this purpose, "**reporting factor**" – each of these:
- (1) a reporting body corporate;
 - (2) a trustee for debentures, within its meaning in Chapter Five "A";
 - (3) an underwriter;
 - (4) a company with a platform license, within its meaning in Chapter Seven "C";
 - (5) a body corporate with a license under the Counseling Law;
 - (6) the manager or trustee of a fund under the Joint Investment Trusts Law.
- (c) If a demand for payment was served on the holder of a license under

the Counseling Law or to a banking corporation, the Authority chairman may also order them to inform their clients, as the Authority chairman shall prescribe according to the circumstances, of the nature and circumstances of the violation and of the amount of monetary composition imposed on them according to the demand for payment.

Monetary composition and criminal proceeding

- 52BB.(a) Paying monetary composition under the provisions of this Chapter shall not derogate from a person's criminal liability for the violation of a provision under this Law.
- (b) If an indictment was brought against a violator for the violation of a provision under this Law, the Authority shall not impose monetary composition under this Chapter on him, and if the violator paid monetary composition the amount he paid shall be refunded to him with the addition of index differentials and interest up to the day of the refund.

Monetary composition and administrative enforcement proceedings

52CC. If a demand for payment under Chapter Eight "C" was served on a violator, no proceeding to investigate the violation shall be opened and no administrative enforcement proceeding under Chapter Eight "D" shall be initiated in respect of the act for which the demand for payment was served.

Change of Schedule Five and of Schedule Six

- 52DD.(a) The Minister of Finance may – by order, upon the Authority's recommendation or in consultation with it, with the consent of the Minister of Justice and with approval by the Knesset Finance Committee – change Schedule Five and Schedule Six, on condition that the amounts of monetary composition under Schedule Six not exceed the amounts specified below, as the case may be:
- (1) in respect of a reporting body corporate, of a body corporate that does not report and offered its securities to the public, of a company with a platform license, within its meaning in Chapter Seven "C", or of a clearing house, as defined in section 50A – NS 1,000,000'
 - (2) in respect of a body corporate that is an underwriter – NS 320,000;
 - (3) in respect of a body corporate, the main occupation of which is the issue of financial products – NS 2,000,000;
 - (4) in respect of any other body corporate or individual – NS 12,000.
- (b) The provisions of section 52U(b) and (c) shall apply, mutatis mutandis, to the amounts said in subsection (a).

CHAPTER EIGHT "D": ADMINISTRATIVE ENFORCEMENT COMMITTEE

Article One: Administrative Enforcement Committee

Definitions

52EE. In this Article, "**violation**" – any one of the following:

- (1) the violation of a provision under this Law, as specified in sections 52LLL(b), 52O and 54(a1) and in Schedule Seven;
- (2) a violation, as defined in section 38F of the Counseling Law;
- (3) a violation, as defined in section 119 of the Joint Investment Trusts Law.

Administrative Enforcement Committee

52FF.(a) A six member Administrative Enforcement Committee shall be appointed, its responsibility being to hear and decide about violations and also to perform any other function imposed on it under any statute (in this Chapter: the Committee), and this is its composition:

- (1) two employees of the Authority who are qualified to be District Court judges, appointed by the Authority chairman;
- (2) four additional members who are not members or employees of the Authority, appointed by the Minister of Justice, of them –
 - (a) two members with expertise in the capital market;
 - (b) two members who are jurists with expertise in Securities Law and Company Law;

provided that – in respect of compliance with the restrictions on appointments said in section 52HH – the Minister of Justice shall consult with the Authority chairman.

- (b) The term of service of a Committee member appointed under subsection (a) shall be three years, and he may be reappointed for only two additional terms of service.

Panels of the Administrative Enforcement Committee

52GG. The Committee shall function in panels of three members, whom the Authority chairman shall appoint for specific matters, and this is their composition:

- (1) one of the members appointed under section 52FF(a)(1), and he shall be chairman of the panel;
- (2) one of the members appointed under section 52FF(a)(2)(a);
- (3) one of the members appointed under section 52FF(a)(2)(b).

Restrictions on appointments

52HH. (a) A person to whom one of the following applies shall not be appointed Committee member:

- (1) he was convicted of a criminal offense or of a disciplinary offense or means of enforcement under Article Three were imposed on him for an offense and because of the nature, severity or circumstances of the said offense or violation he is not fit to be a member of the Committee;
- (2) an indictment or a complaint was brought against him or an administrative enforcement proceeding was opened against him under Article Two for an offense or violation, as the case may

- be, said in paragraph (1) and a final judgment or a final decision on that matter has not yet been handed down;
- (3) he is liable to be frequently, directly or indirectly, in a state of conflict of interests between his responsibility as Committee member and his or his relative's personal interest or his other position; however, his being a staff member of the Authority shall not be deemed a conflict of interests for this purpose.

Lapse of term of service and removal from office

- 52II. (a) A Committee member shall cease to serve before the end of his term of service, if he ceased to hold the position because of which he was appointed or if he resigned by delivering a letter of resignation to the Authority chairman.
- (b) The Minister of Justice or the Authority chairman with the consent of the Minister of Justice may remove a Committee member from office by a written notice, when one of the following is the case:
- (1) one of the restrictions under section 52HH(a) applies to him;
 - (2) he is permanently unable to fulfill his responsibility;
 - (3) there are other circumstances, because of which he is not fit to serve as Committee member.
- (c) The conclusion of a term of service does not make a Committee member unfit for finishing a matter that he had begun to hear, except if his service ended because he was removed from office as said in subsection (b).
- (d) Notwithstanding the provisions of subsection (c), if a Committee member was removed from office because the restriction said in section 52HH(a)(3) applied to him, he may conclude a matter he had begun to hear, on condition that the provisions of section 52KK do not apply to that matter.

Remuneration

52JJ The Minister of Finance may prescribe provisions on the payment of remuneration to Committee members who are not Authority employees or State employees for their participation in Committee meetings and for work connected to the said meetings.

Prohibition of conflict of interests on a certain matter

52KK.A Committee member shall not deal with a matter that is liable to cause him to be in a conflict of interests – directly or indirectly – between his responsibility as a Committee member and his or his relative's personal interest or his other position; however, for this purpose a conflict of interests that stems only from the Committee member being a staff member of the Authority shall not be deemed a conflict of interests.

Absence of a panel member

52LL.(a) When a panel of the Committee has been appointed to hear a violation as said in section 52SS, or to approve or cancel an arrangement said in Article One of Chapter Nine "A", every member of the panel shall participate in at least three fourths of the panel's sessions and the

- chairman of the panel shall participate in all the said sessions.
- (b) A panel's decisions shall be adopted by a majority vote; decisions of a panel composed of only two Committee members according to the conditions prescribed in subsection (a) shall be adopted unanimously, but a decision under sections 52YY or 54B shall be adopted with the participation of all members of the panel.
 - (c) If the provisions of subsection (a) or (b) were not complied with, all the sessions and the decisions made at them on that matter shall be deemed void.

Law procedure

- 52MM. (a) The Committee shall prescribe the Law procedure for the work of its panels by a majority, with a majority of Committee members participating.
- (b) The Law procedure and every change thereof that the Committee prescribed shall be posted on the Authority's Internet site and shall go into effect 30 days after it was posted, but a change of Law procedure shall not apply to a pending administrative enforcement proceeding; a notice that Law procedures and or any change thereof was posted, as well as their day of effect, shall be published in Reshumot.

Evidence

- 52NN. (a) The Committee's panels shall not be tied to the law of evidence, except for the rules on the competence of witnesses said in sections 3 to 5 of the Evidence Ordinance [New Version] 5731-1971 and on privileged evidence said in sections 48 to 51 of the said Ordinance, and it shall weigh the evidentiary material brought before it according to its evaluation.
- (b) Notwithstanding the provisions of subsection (a), parents and children and spouses are qualified to testify against each other, if both are interested parties in the same body corporate or are officers thereof.

Confidentiality of Committee hearings and of material brought before it

- 52OO. The provisions of section 13 shall apply to the Committee members in respect of Committee sessions and the material submitted to it or to its members by virtue of their being Committee members.

Reporting decisions of Committee panels

- 52PP. Once a year the Authority shall report the decisions of the Enforcement Committee's panels under this Chapter to the Attorney General; the report shall be in a format and shall include particulars as the Attorney General shall prescribe and it shall be posted on the Authority's site.

Article Two: Inquiring into a Violation and an Administrative Enforcement Proceeding

Inquiring into a violation

- 52QQ. (a) If an investigator has reasonable grounds to assume that a person violated a provision under this Law that applies to him, as specified in sections 52LLL, 52OOO and 54(a1) and in Schedule Seven (in this Article and in Articles Three and Four: violator and violation, respectively), he may –
- (1) petition a Magistrates Court judge for an order to the person who – according to the assumption – has under his control or in his possession an object that is required for the inquiry into the violation, ordering him to present or to deliver the object to that investigator or to another investigator at the time, in the place and in the manner prescribed in the order;
 - (2) summon any person who in the investigator's opinion may have information about the violation or facts that may lead to the violator's discovery and ask him questions in connection with that matter; persons other than the violator shall be summoned for a time coordinated with them;
 - (3)
 - (a) petition a Magistrates Court judge to issue an order that allows him to enter any place not used only for residential purposes, to conduct a search there, to seize any object needed for the inquiry into the violation and to access and copy computer material, all on conditions and with restrictions to be prescribed in the order; the provisions of section 56B(c) to (i) shall apply to the matter of searching and seizing under this paragraph, mutatis mutandis and with this change: in subsection (e)(1) replace "if an indictment was brought in the proceeding" with "if an administrative enforcement proceeding was initiated under Article Two in Chapter Eight "D"".
 - (b) An order said in this paragraph shall not be given, except when one of the following holds true:
 - (1) an investigator or an Authority employee required a person to present to him an object or document under section 56A(a) or under an order according to paragraph (1), and he did not present it;
 - (2) a demand said in subparagraph (1) was liable to interfere with the inquiry into the violation, because of suspicion that the evidence would be hidden or destroyed.
- (b) When a person has been summoned under subsection (a)(2), the investigator shall, before interrogating him, tell him in respect of what acts of violation he is being interrogated; when he has been informed as aforesaid he must answer the questions that he is asked; however, his replies in respect of the acts of which he was informed shall not be evidence in criminal proceedings against that person.
- (c) If a person was summoned under subsection (a)(2) and did not appear, the Court may – at the investigator's request – order that he be brought before the investigator or impose a penalty on him for not obeying, as said in section 73 of the Courts Law [Consolidated Version] 5744-

1984 (in this Law: the Courts Law), as if that person had been summoned to testify before a Court and did not appear.

Decision on an investigation or an administrative inquiry

52RR. If the Authority chairman has reasonable grounds to suspect that an act or an omission (in this Chapter: act) was committed, in respect of which a criminal investigation under Chapter Ten or an administrative inquiry said in section 52QQ can be conducted, the Authority chairman shall decide to conduct a said investigation or inquiry only according to these considerations:

- (1) the severity and circumstances of the act;
- (2) an evaluation of the quality and strength of the evidence connected to that act;
- (3) the Authority's enforcement policy.

Decision to initiate an administrative enforcement proceeding

52SS. If the Authority chairman has reasonable grounds to assume – whether in consequence of an inquiry under section 52QQ otherwise – that a violation was committed, he may – by a reasoned decision in respect of that violation according to the considerations said in section 52RR – decide to initiate an administrative enforcement proceeding and appoint a panel of the Committee to deal with that violation.

Notice that an administrative enforcement proceeding was initiated

- 52TT. (a) The chairman of the panel appointed under section 52SS shall give notice to the panel and to the violator that an administrative enforcement proceeding has been initiated under this Article.
- (b) In the notice that an administrative enforcement proceeding has been initiated the chairman of the panel shall state, inter alia, the following:
- (1) particulars of the act that constitutes the violation and a precis of the facts and circumstances on which it is based;
 - (2) particulars of the means of enforcement that may be imposed on the violator because of the violation, according to the provisions of Article Three;
 - (3) the violator's right to receive all the information that was transmitted to the panel under the provisions of section 52UU;
 - (4) the violator's right to present his arguments to the panel according to the provisions of sections 52VV and 52WW.

Right to receive information

- 52UU. (a) Before the first session of the enforcement proceeding the Authority chairman shall transmit to the panel all the information about the violation that he believes is necessary for conducting the proceeding.
- (b) A violator, who was informed that an administrative enforcement proceeding has been initiated, is entitled to receive all the information about the violation that is being transmitted to the panel as said in subsection (a), and the said information shall be available to him at the Authority from the day on which the said notice was given.
- (c) Without derogating from the provisions of subsection (b), the violator

shall also be entitled to receive all the information that the panel will receive in the course of the proceeding.

Right to present arguments

52VV. A violator who was informed that an administrative enforcement proceeding has been initiated may present his arguments on that matter to the panel in writing within 45 days after the notice was given.

Proceeding before the panel

52WW. (a) A violator has the right to be present at all the panel's sessions in the proceeding.

- (b) A violator who presented his arguments to the panel in writing according to the provisions of section 52VV has the right to present his arguments to the panel orally.
- (c) The panel may – under special circumstances, including the violator's request – summon additional persons to appear before it and to give it the information it needs in order to reach its decision; the violator is entitled to be present at the hearing to which a said person was summoned, to receive the said information and to present his arguments to the panel.
- (d) If a person was summoned under the provisions of subsection (b) and did not appear, the Court may – at the panel's request – order that he be brought or impose on him the penalty said in section 73 of the Courts Law for not obeying, as if that person had been summoned to testify before a Court and did not appear.
- (e) A person harmed by the violation shall not be party to the proceeding, but the panel may summon him to appear before it according to the provisions of subsection (c).

Protocol

52XX. At all sessions of the panel a protocol shall be kept that reflects everything that was said and occurred at the session and that concerns the proceeding, including the panel's questions and remarks; the violator is entitled to receive a copy of the protocol at the end of the hearing or soon thereafter.

Decisions by the panel

- (a) The panel's decision at the end of the proceeding shall be reasoned and in writing and it shall be sent to the violator; a decision that imposes means of enforcement under Article Three shall specify the reasons for choosing the kind of the said means in respect of that violation, according to the considerations that are enumerated in section 52ZZ.
- (b) If the panel decided to impose means of enforcement on the violator, it shall specify in its decision the date when its decision shall go into effect, which shall – at the earliest – be 60 days after the decision was handed down, and it may set different dates on which different means of enforcement shall go into effect; the Court may order – at the request of the panel chairman – that the date on which the said decision goes into effect be moved up, if it concluded that the circumstances of the case justify that.

- (c) If the panel decided, because of reasons that it specified in its decision, to apply to the Court to extend the period of prohibition of service or of suspension said in sections 52DDD(a) or 52EEE(1) or to apply for cancellation of a license, approval or permit as said in section 52EEE(2), it shall state that in its decision.

Article Three: Administrative Means of Enforcement

Imposing administrative means of enforcement

52ZZ. If the panel concluded that a violation was committed, it may impose on the violator one or more of the administrative means of enforcement prescribed in this Article, subject to the provisions of section 52GGG; the panel shall choose the means of enforcement and extent thereof from among the means of enforcement said in this Article according to these considerations only:

- (1) the facts that constitute the violation;
- (2) other factual circumstances of the violation that were proven in the panel's sessions, including the extent of the violation, the profit realized or the loss prevented by it and the consequential damage that was caused;
- (3) the existence or absence of previous violations;
- (4) steps taken by the violator when the violation was discovered, including stopping the violation at his initiative and reporting it to the Authority, various steps taken to prevent repetition of the violation and reduction of the consequential damage that was caused;
- (5) personal circumstances of the violator that led to the commission of the violation or other exceptional personal circumstances;
- (6) the Authority's enforcement policy.

Monetary composition

52AAA. (a) A panel may impose monetary composition on a violator in a maximum amount specified below, as the case may be:

- (1) in respect of a violation listed in Part One of Schedule Seven – NS 2 million for a body corporate, NS 25,000 for an individual employed by the body corporate who is not a senior officer thereof, and NS 400,000 for any other individual;
 - (2) in respect of a violation listed in Part Two of Schedule Seven – NS 3 million for a body corporate, NS 25,000 for an individual employed by the body corporate who is not a senior officer thereof, and NS 600,000 for any other individual;
 - (3) in respect of a violation listed in Part Three of Schedule Seven – NS 5 million for a body corporate and NS 1 million for an individual.
- (b) The provisions of sections 52U, 52X and 52Y shall apply to monetary composition under this section, mutatis mutandis and with these changes: in section 52U –
- (1) in subsection (a), replace "on the day the demand for payment is

delivered" with "on the day the decision is handed down", replace "against the demand for payment" with "against a decision under Chapter Eight "D'", replace "under section 52Z" with "according to the Court's decision" and replace the closing passage from "on the day the Authority agreed" with "on the day the Court agreed to the said stay";

- (2) in subsection (b), replace "the amounts of equity and monetary composition prescribed in Schedule Six" with "the amounts of equity and monetary composition prescribed in section 52AAA(a)".

Payment to person harmed by the violation

52BBB.(a) A panel may order a violator to pay a person appointed under subsection (d) (in this section: the appointee) an amount specified below, as the case may be, to be distributed among persons injured by the violation: as the appointee shall prescribe:

- (1) if also monetary composition under section 52AAA was also imposed on the violator for the same violation – the larger of these amounts:
 - (a) the amount of harm caused all injured persons by the violation, up to 20% of the amount of monetary composition that was imposed on the violator;
 - (b) the amount of profit or benefit, including prevention of loss, that the violator achieved directly or indirectly in consequence of having performed the violation, provided that does not exceed the largest monetary composition that may be imposed because of the violation;
 - (2) if monetary composition under section 52AAA was not imposed on the violator for the same violation – the amount of the profit or benefit said in paragraph (1)(b), provided it does not exceed the largest monetary composition that may be imposed because of the violation.
- (b) The provisions of section 52X shall apply, mutatis mutandis, to the matter of payment under this section and the Taxes (Collection) Ordinance shall apply to its collection.
 - (c) The appointee shall decide how the payment under this section is to be divided among persons injured by the violation.
 - (d) The Minister of Justice may, after consultation with the Authority and with approval by the Knesset Finance Committee, prescribe provisions on –
 - (1) the appointee's appointment, including who shall appoint him and his qualifications;
 - (2) the manner in which the appointee shall exercise his function, including how persons injured by a violation shall apply to him and how he shall clarify the amount of damage and its apportionment among victims of the violation, as well as the reports that he shall be required to make about the exercise of his function;
 - (3) the appointee's remuneration and expenses..

Taking steps to correct violations and to prevent their repetition

52CCC. A panel may order a violator what acts he must perform in order to correct the violation and to prevent its repetition and it may require of the violator that he deposit a pledge to secure that the said acts will be performed; if the panel or another panel of the Committee is convinced that the violator did not perform the acts that it had ordered as aforesaid, the deposited pledge shall be forfeit.

Must not serve in a senior position in a supervised body

52DDD.(a) If a panel concluded that a violator who violated a provisions enumerated in Part Three of Schedule Seven is not fit to serve as senior officer of any of the bodies specified below (in this section – supervised body), it may determine that he will not have the right to serve as senior officer during a period that shall not be longer than one year, and with the Court's approval – not longer than five years, beginning with the date on which the decision goes into effect:

- (1) a body corporate that holds a license under the Counseling Law;
 - (2) a fund manager or trustee, within their meaning in section 4 of the Joint Investment Trusts Law;
 - (3) a reporting body corporate;
 - (4) an underwriter;
 - (5) a company with a platform license, within its meaning in Chapter Seven "C".
 - (6) a rating company , as defined in the Rating Law.
- (b) A determination under this section may be in respect of a certain supervised body, a certain kind of supervised bodies or all supervised bodies.

Cancellation or suspension of a license, approval or permit

52EEE. A panel may, in respect of the violation of a provision enumerated in Parts Two or Three of Schedule Seven –

- (1) suspend for a fixed period of not more than one year a license to manage a trading platform or a permit to control a company that holds a platform license that the violator was given under this Law, a license given the violator under the Counseling Law, an approval to serve as fund manager or trustee or a permit to hold means of control in a fund manager that was given the violator under the Joint Investment Trusts Law, or transfer an underwriter to inactive status in the Register of Underwriters that was prescribed under section 56(c) (hereafter: suspension); however, extending a suspension under this paragraph for a period longer than one year requires approval by the Court;
- (2) cancel – with the Court's approval – a license, approval or permit said in paragraph (1) that had been given to the violator.

Conditional means of enforcement

52FFF. (a) If a panel imposed on a violator means of enforcement said in sections 52AAA, 52DDD or 52EEE, it may order in its decision that some or

all of a means of enforcement be suspended.

- (b) If suspended means of enforcement were imposed on a person, the means of enforcement shall not be activated against him, unless the panel or another panel of the Committee determined that he committed one of the violations prescribed in the decision within the period set in the panel's decision said in subsection (a), which shall not be longer than two years after the decision was made.

Time limit for the imposition of means of enforcement

52GGG.(a) In this section, "**determining period**" – the period specified below, as the case may be:

- (1) in respect of a violation enumerated in Part One of Schedule Seven – one year after the date on which the Authority discovered that the violation was committed or three years after the date on which the violation was committed, whichever is earlier;
 - (2) in respect of a violation enumerated in Part Two of Schedule Seven – five years after the date on which the violation was committed
 - (3) in respect of a violation enumerated in Part Three of Schedule Seven – seven years after the date on which the violation was committed.
- (b) If it was decided to initiate administrative enforcement proceedings under section 52QQ in respect of a violation enumerated in Part One or in Part Two of Schedule Seven after the end of the deciding period, the provisions specified below shall apply in respect of the panel's power to impose means of enforcement on the violator under this Article, as the case may be:
- (1) if seven years have not yet passed since the violation was committed, the panel may impose on the violator only means of enforcement said in sections 52BBB(a)(2) or 52EEE;
 - (2) if seven years have passed since the violation was committed, the panel may impose on the violator only means of enforcement said in section 52EEE.
- (c) If it was decided to initiate administrative enforcement proceedings under section 52QQ in respect of a violation enumerated in Part Three of Schedule Seven after the end of the deciding period, the panel may only impose means of enforcement under section 52EEE on the violator.
- (d) In calculating the determining period, a period of time during which the Authority or the panel was unable to complete the inquiry into the violation or the administrative enforcement proceedings because of one of the following reasons shall not be taken into account:
- (1) the violator was abroad;
 - (2) evasion by the violator;
 - (3) the violator's medical or mental condition;
 - (4) the violator could not be located by a reasonable effort.

Article Four: General Provisions

Immediate report and publication of the decision whether to impose means of enforcement

- 52HHH. (a) The Authority shall post the panel's decision said in section 52YY(a) on its Internet site when it goes into effect.
- (b) At the violator's request the panel may, by a reasoned written decision, abstain from publicizing its decision as said in subsection (a) or postpone its publication to a date that it shall set; however, the time that passed since the date of the violation shall not, of itself, be a reason for doing so.
 - (c) The panel may refrain from permitting inspection of the protocol of a proceeding that was held under this Chapter, if it is satisfied that, because of special circumstances that shall be recorded, the said inspection may harm the violator or a third party.
 - (d) When a panel's decision to impose means of enforcement on a violator that is a reporting factor, as defined in section 52AA, or on a senior officer thereof has gone into effect, the reporting factor shall publish the decision in an immediate report under sections 36(c), 44CC or 56(c)(3), under section 27C of the Counseling Law or under section 72(a) of the Joint Investment Trusts Law, as the case may be, and the provisions of sections 37 and 38 shall apply to this matter, mutatis mutandis, except if the panel decided according to the provisions of subsection (b) not to publicize that decision or to postpone its publication.
 - (e) If a panel decided to impose means of enforcement on a violator that is a licensee under section 44M or under the Counseling Law or a banking corporation, the Authority chairman may order them also to inform their clients, as the Authority chairman shall prescribe according to the circumstances of the case, of the nature and circumstances of the violation because of which the panel decided as aforesaid, and of the means of enforcement that were imposed.

Powers of the Court on a petition

- 52III. (a) An administrative petition, as said in section 42E of the Courts Law, against the decision of a panel said in section 52YY shall be submitted within 45 days after the panel's decision was received.
- (b) When a petition against a decision of a panel has been submitted, the Court may approve, cancel or change the panel's decision.

Approval of a panel's decision

52JJJ. A request for the Court's approval under sections 52YY(b), 52DDD and 52EEE shall be addressed to the Economic Department, within its meaning in section 42D of the Courts Law.

Delay of implementation of the decision and refund

- 52KKK. (a) Submitting a petition shall not stay implementation of the decision, of its publication or of the submission of an immediate

report under section 52HHH(d), except if the panel agreed thereto or if the Court so ordered.

- (b) If the Court decided to accept a petition said in subsection (a) after monetary composition was paid under section 52AAA, the provisions of section 52Z(c) shall apply to the said monetary composition.

Responsibility of a General Managers and of partners, other than limited partners

52LLL. (a) The General Manager of a body corporate and a partner – other than a limited partner – must supervise and take all steps that are reasonable under the circumstances of the case to prevent violations by the body corporate or partnership, as the case may be, or by any of their employees.

- (b) If a violation was committed, other than a violation enumerated in items (9) to (11) of Part Three of Schedule Seven and other than a violation under section 54(a1) – other than said violations committed by the body corporate – it is assumed that the General Manager of the body corporate or a partner – other than a limited partner – in the partnership, as the case may be, violated his obligation under subsection (a) and he shall be deemed to have committed the violation of a provision enumerated in Part Three of Schedule Seven, but it shall not be possible to impose on him means of enforcement other than one or more of the means of enforcement specified below, as the case may be, which could have been imposed on him if he were the violator:
 - (1) monetary composition as said in section 52AAA, in a maximum amount not greater than one half the largest monetary composition that could have been imposed for the same offense on another violator who is another individual;
 - (2) in respect of a violation said in Part Two or Part Three of Schedule Seven – suspension as said in section 52EEE(1) for a period not longer than half the period of suspension that could have been imposed on a violator under the same section, or cancellation of a said license, approval or permit;
 - (3) in respect of a violation said in Part Three of Schedule Seven – prohibition to serve as senior officer of a supervised body, as said in section 52DDD, for a period not longer than half the period of prohibition to serve that could have been imposed on the violator under that section.
- (b1) If the General Manager of the body corporate or a partner other than a limited partner, as the case may be, proved that he fulfilled his obligation under subsection (a), the assumption under subsection (b) shall not apply to him.
- (c) If the body corporate established satisfactory procedures for the prevention of violations said in subsection (b), appointed a person responsible on its behalf for the supervision of their implementation also in respect of training the employees of the body corporate to comply with them, and also took reasonable steps to correct a violation and to prevent its repetition, the assumption is that the

General Manager or the partner, as the case may be, complied with his obligation said in subsection (a).

- (d) In this section, "**partnership**" and "**limited partner**" – as defined in the Partnership Ordinance [New Version] 5735-1975.

Administrative enforcement proceeding and criminal proceeding

52MMM.(a) When a violator has been summoned for an inquiry into a violation under section 52QQ(a)(2) or if he was given notice that an administrative proceeding has been initiated under section 52TT, no indictment shall be brought against him for the act that constitutes the offense and no monetary composition shall be imposed on the violator under Chapter Eight "C" for the said act.

- (b) If a person was cautioned because of a suspicion that he committed a securities offense, an offense defined in section 29 of the Counseling Law and an offense defined in section 97A of the Joint Investment Trusts Law, no administrative proceeding shall be initiated against him for acts that constitute the offense, unless one of the following is the case:
 - (1) a District Attorney decided not to put the suspect on trial;
 - (2) the suspect was put on trial, but the Authority chairman, in consultation with the District Attorney, was convinced in a reasoned written decision that there are special circumstances for initiating an administrative proceeding in respect of the acts that are the subject of the offense or an arrangement said in Article One of Chapter Nine "A", provided that – if an administrative proceeding is initiated under the said circumstances – it will not be possible to impose on the violator in the panel's decision or in an arrangement said in Article One in Chapter Nine "A" means of enforcement other than those said in sections 52DDD and 52EEE.

Administrative proceeding against a senior officer of a banking corporation or of an institutional body

52NNN.(a) The Authority chairman shall inform the Supervisor of Banks of his decision to initiate an administrative inquiry proceeding against the senior officer of a banking corporation, or the Commissioner of his decision to initiate an administrative inquiry against the senior officer of an institutional body.

- (b) If it was decided to initiate an administrative enforcement proceeding against the senior officer of a banking corporation or of an institutional body in connection with a violation for which may be imposed the means of enforcement of a prohibition said in section 52DDD to serve as senior officer in a banking corporation or institutional body, as the case may be, the Authority chairman shall so inform the Supervisor of Banks or the Commissioner, as the case may be, and in respect of the senior officer of a banking corporation or of an insurer he shall hear the opinion of the Supervisor of Banks or of the Commissioner, as the case may be.
- (c) The Supervisor of Banks or the Commissioner, as the case may be,

shall have an appropriate opportunity to present arguments to the panel that deals with the violation before a decision is made to impose the means of enforcement of a prohibition to serve as a said senior officer in a banking corporation or in an insurer, as the case may be.

- (d) In this section –
"institutional body", **"insurer"** – as defined in the Control of Insurance Law;
"Control of Insurance Law" – the Control of Financial Services (Insurance) Law 5741-1981;
"Commissioner" – the Capital Market, Insurance and Savings Commissioner in the Ministry of Finance;
"Supervisor of Banks" – the Supervisor of Banks who was appointed under section 5 of the Banking Ordinance 1941.

Misleading the Authority

52000. Without derogating from the provisions of any statute, for the purposes of Chapter Eight "D" a supervised factor that caused a misleading particular to be presented to the Authority in a report, document or notice, submission of which is required under any statute and also under demands by the Authority or by an authorized employee, when it should have known that that can mislead the Authority, shall be deemed to have committed the violation of a provision enumerated in Part Three of Schedule Seven.

Changing Schedule Seven

52PPP. The Minister of Finance may – by order on a proposal by the Authority or in consultation with it, with the consent of the Minister of Justice and with approval by the Knesset Finance Committee – change Schedule Seven.

CHAPTER NINE: PENALTIES

Violation of provisions of this Law

53. (a) Whoever did one of the following shall be liable to five years imprisonment or to a fine five times the fine said in section 61(a)(4) of the Penal Law, and if it is a body corporate – to 25 times the fine said in that section:
- (1) he violated the provisions of section 15 in order to mislead a reasonable investor; for this purpose, if a person made a securities offering to the public without a prospectus, publication of which the Authority permitted, or otherwise than according to the draft prospectus under the provisions of section 15(a), or if he sold securities to the public otherwise than under a prospectus, publication of which the Authority permitted, he shall bear the burden of proving that he did not do so in order to mislead a reasonable investor;
 - (2) he caused a misleading particular to be included in a draft prospectus or prospectus and did not prove that he did not do so in order to mislead a reasonable investor;

- (2a) he caused a misleading particular to be included in information given to a meeting under section 15A(a)(6), which can mislead a reasonable employee;
 - (3) he gave an opinion, report or certificate that subsequently with his prior consent was included or referred to in a prospectus, report, notice or purchase offer specification, knowing that it included a misleading particular;
 - (4) he did not comply with one of the provisions of section 17(c), with one of the provisions of section 35X, with one of the provisions of section 36, with an order by the Authority under section 36A, with an order that applies to him by virtue of section 36B or with one of the provisions of section 37, or with regulations under the said sections, or he caused a misleading particular to be included in any report, notification, registration document or purchase offer specification under this Law or under regulations thereunder that was delivered to the Authority or to a Stock Exchange under this Law or under regulations thereunder – all in order to mislead a reasonable investor; for this purpose, if a periodic report or interim financial report was not delivered within two months after the last date prescribed for its delivery, or if more than seven days passed after the date set for the delivery of an immediate report or notice and they were not delivered or were delivered not according to the Authority's demand, that shall constitute prima facie evidence that the person, to whom the obligation to deliver the report or notification applies refrained from delivering them in order to mislead.
- (a1) Whoever did anything to prevent or to obstruct the proceeding of an inquiry into a violation or an administrative enforcement proceeding under Chapter Eight "D" shall be liable to three years imprisonment or to a fine two and a half times the fine said in section 61(a)(4) of the Penal Law, and if it is a body corporate – to five times the fine said in that section;
 - (b) Whoever did one of the following shall be liable to two years imprisonment or to a fine two and a half times the fine said in section 61(a)(4) of the Penal Law, and if it is a body corporate – twelve and a half times the fine said in that section;
 - (1) he did not comply with provisions of sections 5, 10(b) or 45C;
 - (1a) he violated provisions of section 13;
 - (1b) he violated provisions of section 15;
 - (2) he did not comply with provisions of section 16(a) or of section 18(a) or with regulations under section 35T(a);
 - (2a) he did not comply with provisions of section 17(c);
 - (2b) he violated provisions of section 17C;
 - (3) he did not comply with provisions of section 25(d);
 - (4) he did not comply with orders from the Authority under section 25(a) or 25A(b);
 - (5) he did not comply with provisions of section 35B(a) or with provisions under section 35J(a) or (b);

- (5a) he did not comply with provisions of sections 36, 36B or 37 or of regulations thereunder, or did not comply with an order or instruction of the Authority under section 36A;
 - (6) he issued securities without the requirements of section 39(a) having been met;
 - (7) he violated provisions of section 45(a);
 - (8) he violated provisions of section 52I(b);
 - (9) he did not comply with the provisions of section 52I(c) or (d);
 - (10) he did not comply with a demand under sections 56A(a), 56A1(a) or 56C(2) by the date prescribed therefor;
 - (11) he violated the provisions of section 56E.
- (b1) Whoever did one of the following shall be liable to six months imprisonment:
- (1) he violated any of the provisions of section 10A;
 - (2) he violated any of the special restrictions prescribed under section 10B;
 - (3) he violated a condition prescribed in a permission under sections 10A to 10C.
- (c) *Repealed*
- (d) In the case of a continuing offense against the provisions of sections 36, 36B or 37 or of regulations thereunder, or of an order or guideline of the Authority under sections 35X and 36A, the Court may impose an additional fine at the rate of 2% of the fine that it is empowered to impose for every day on which the offense continues.
- (e) If any of the offenses specified in this section was committed by a body corporate, the Directors and the general manager of that body corporate shall also be liable for that offense, except if they prove one of the following:
- (1) that the offense was committed without their knowledge and that they were not obligated to know or could not know about it;
 - (2) that they took all reasonable steps to prevent the offense.

Fraud in connection with securities

54. (a) Whoever does one of the following shall be liable to five years imprisonment or to a fine five times the fine said in section 61(a)(4) of the Penal Law, and if it is a body corporate – twenty five times the fine said in that section
- (1) he induced or attempted to induce a person to acquire or to sell securities and did so by a written or verbal statement, promise or forecast or in some other manner, which he knew or should have known to be false or misleading, or by the concealment of material facts;
 - (2) he fraudulently influenced the fluctuations of securities quotations; for the purposes of this paragraph, the assumption is that a person who acted under the provisions of section 56(a) in the matter of stabilizing securities prices did not influence fraudulently, as aforesaid.
- (a1) if a supervised factor or an investor in securities did one of the following it shall be deemed – for the purposes of Chapter Eight "D" –

a person who committed a violation of a provision enumerated in Part Three of Schedule Seven:

- (1) he gave any person a statement, promise or forecast, in writing, verbally or in any other manner, that he should have known was false or misleading, or he concealed from a person substantive facts and he should have known that his acts were liable to cause that person to buy or to sell securities;
 - (2) he performed a securities transaction with himself, a coordinated securities transaction or the stabilization of a securities price.
- (b) In this section –
- "stabilization"** – the performance of buy and sell acts of securities by an interested party, before or after a prospectus was published, which have an effect on the price of the securities to the benefit of the issuer, all while concealing substantive information connected to the stabilizing acts at the time of their performance;
- "investor in securities"** – a person who, during the three months before the violation, bought and sold securities on the Stock Exchange in quantities or to an extent that are not lower than the quantities or extent specified below:
- (1) an average of 50 acts per month or an average monthly volume of NS 1 million;
 - (2) an average of 25 acts per month or an average monthly volume of NS 500,000, provided that – when the said acts were carried out – he held a position in the financial sphere that requires knowledge of investment in securities or in financial assets, as defined in the Counseling Law, and that even if he did not hold a said position when the offense was committed.
- "securities"** – as defined in section 52.
- "coordinated securities transaction"** – the purchase and sale of the same security by two or more people, carried out by advance coordination between the parties, which affected the price of the security on the Stock Exchange, other than a matching transaction, within its meaning in the Stock Exchange by-laws, that was carried out according to the said by-laws;
- "securities transaction with oneself"** – the sale and purchase of the same security at the same time by the same person or by another on his behalf, which affected the price of the security on the Stock Exchange.

CHAPTER NINE "A": ARRANGEMENT IN ORDER TO ABSTAIN FROM PROCEEDINGS OR TO STOP PROCEEDINGS SUBJECT TO CONDITIONS

Article One: The Authority Chairman's Power to Contract an Arrangement

Definitions

54A. In this Article:

"**the Committee**" – the Administrative Enforcement Committee that was appointed under section 52FF(a);

"**proceeding**" – a proceeding of inquiry into a violation, an administrative enforcement proceeding under Chapter Eight "D" or a criminal investigation under section 56C, as the case may be;

"**arrangement**" – an arrangement to abstain from proceedings or to stop proceedings, subject to conditions;

"**violation**" – within its meaning in section 52QQ(a).

Power of the Authority chairman to contract arrangements

- 54B. (a) If the Authority chairman has reasonable grounds to assume that a violation was committed or if he has reasonable grounds to suspect that a securities offense was committed, he may – according to the considerations prescribed in section 52RR and with approval by a panel that he shall appoint for that purpose – refrain from conducting proceedings in respect of that violation or offense and contract an arrangement with the violator or suspect, as the case may be (in this Article: suspect), on condition that he concluded that, under the circumstances of the case, fulfilling the conditions of the arrangement will satisfy the public interest.
- (b) As part of the arrangement the Authority chairman may undertake not to initiate proceedings or not to continue proceedings against the suspect for the violation or offense that is the subject of the arrangement, if the suspect agrees – in respect of a violation – that one of the means of enforcement said in Article Three of Chapter Eight "D" that could be imposed on him for that violation be imposed on him, and – in respect of an offense – every one of the means of enforcement enumerated in the said Article (in this section: means of enforcement), as will be prescribed in the arrangement, and that he undertake to comply with the acts or prohibitions that apply to him by virtue of the application of those means of enforcement during a period of time that will be set in the arrangement; an arrangement may also include the suspect's agreement that means of enforcement by applied to him in addition to the means of enforcement to which he agreed under the arrangement, if he does not fulfill his said undertaking (in this section: conditional means of enforcement).
- (c) An arrangement shall be drawn up in writing and it shall include these particulars:
- (1) a description of the facts, on which are based the reasonable grounds to assume or to suspect a violation or offense, as the case may be;
 - (2) if a proceeding was stopped because of the arrangement – the kind of proceeding that was stopped;
 - (3) the kind of means of enforcement that will be imposed on the suspect under the arrangement, as well as the acts or prohibitions that apply to him by virtue of the imposition of those means of enforcement (in this section: conditions of the

- arrangement);
- (4) the period of time, during which the conditions of the arrangement will apply to the suspect and which shall not exceed three years.
- (d) The Authority chairman may prescribe in the conditions of the arrangement how the suspect will prove that he fulfilled each of these conditions.
- (e) If the Authority chairman concluded that the suspect violated any condition of the arrangement or that the arrangement was achieved by deceit, he may – with approval by a panel that he shall appoint for this purpose – order proceedings to be initiated against the suspect, after he gave him notice that he intends to do so and the suspect was given an opportunity to present his arguments within 30 days after the notice was given; when the Authority chairman has ordered as aforesaid the arrangement shall be deemed to have been canceled and the suspect shall not be obligated to fulfill the conditions of the arrangement that he had not yet fulfilled, except for conditions that apply to him by virtue of the application of conditional enforcement conditions under the arrangement.

Publication and immediate report

- 54C. (a) The Authority shall post all the following on its Internet site:
- (1) a notice that an arrangement has been contracted and particulars of the content of the arrangement;
 - (2) a notice of an arrangement's violation by a suspect;
 - (3) a notice that steps have been taken against a suspect under circumstances said in section 54B(e).
- (b) Because of special reasons that shall be recorded, the Authority chairman may refrain from publicizing any of the matters said in subsection (a) or delay its publication to a time that he shall set.
- (c) If the Authority chairman contracted an arrangement with a suspect that is a reporting factor, as defined in section 52AA(b), or with a senior officer thereof, the reporting factor shall publish – in an immediate report under sections 36(c), 44CC or 56(c)(3), under section 27C of the Counseling Law or under section 72(a) of the Joint Investment Trusts Law, as the case may be – the fact that an arrangement has been contracted and the content of the arrangement, except if the Authority chairman decided that the arrangement not be made public according to the provisions of subsection (b).
- (d) The Authority chairman may order a license holder or a banking corporation, to which an arrangement under this Chapter applies, to inform its clients of the arrangement and of the content of the arrangement or to publicize it in a manner prescribed by the Authority chairman according to the circumstances the case.

A suspect's consent and evidence he provided do not constitute evidence in a criminal proceeding

- 54D. The fact that a suspect agreed to an arrangement shall not serve as evidence against him in any criminal or administrative proceeding for the violation or

offense that is the subject of the arrangement, and evidence that the suspect gave for purposes of the arrangement shall not serve as evidence against him in any criminal or administrative proceeding.

Article Two: A District Attorney's Power to Contract an Arrangement

A District Attorney's power to contract an arrangement for a stay of proceedings subject to conditions

- 54E. (a) Notwithstanding the provisions of section 62(a) of the Criminal Law Procedure Law [Consolidated Version] 5742-1982, a District Attorney may – even if he saw that there is sufficient evidence for an indictment – refrain from putting the suspect of a securities offense on trial and contract with the suspect an arrangement for a stay of proceedings, subject to conditions (in this Article: arrangement), provided he concluded that – under the circumstances of the case – fulfillment of the conditions of the arrangement will satisfy the public interest.
- (b) As part of the arrangement the District Attorney may undertake to refrain from bringing an indictment against the suspect for the offense that is the subject of the arrangement, if the suspect agreed that one of the means of enforcement said in Article Three of Chapter Eight "D" (in this section – means of enforcement) be imposed on him as the arrangement will prescribe, and undertook to comply with the acts or prohibitions that apply to him by virtue of the application of those means of enforcement within a period that will be set in the arrangement.
- (c) An arrangement shall be drawn up in writing and it shall include these particulars:
- (1) a description of the fact that constitute the offense;
 - (2) the kind of means of enforcement that will be imposed on the suspect according to the arrangement, as well as the acts and prohibitions that apply to him by virtue of the application of those means of enforcement (in this section: conditions of the arrangement);
 - (3) the period of time during which the conditions of the arrangement will apply to the suspect.
- (d) In the conditions of the arrangement the District Attorney may prescribe how the suspect shall prove to him that he complied with those conditions.
- (e) A suspect shall not be put on trial for facts that constitute a securities offense that is the subject of an arrangement after the suspect begins to fulfill the conditions of the arrangement, whether or not he has finished fulfillment of the said conditions, except if the District Attorney found that the arrangement was achieved by deceit; an indictment under this subsection shall be brought with the consent of the Attorney General or of a person he appointed for this matter.
- (f) If the District Attorney learns that the suspect violated a condition of

the arrangement, the suspect shall be put on trial for the facts that constitute the offense that is the subject of the arrangement, except if he concluded that he not be put on trial because of special reasons that shall be recorded.

- (g) When a suspect has been put on trial for facts that constitute the offense that was the subject of the arrangement, the arrangement shall be deemed to have been canceled and the suspect shall not be under obligation to fulfill the conditions of the arrangement that he has not yet fulfilled.

Publication and immediate report

54F. When a District Attorney contracted an arrangement he shall transmit a copy of the arrangement to the Authority and the provisions of section 54C shall apply, mutatis mutandis, to its publication and to reports about it.

Suspect's agreement and evidence he provided shall not be evidence in a criminal or administrative proceeding.

54G. The provisions of section 54D shall apply, mutatis mutandis, to arrangements under this Article.

CHAPTER NINE "B": COOPERATION WITH FOREIGN AUTHORITIES

Definitions

54K1. (a) In this Chapter –

"foreign authority" – a body charged with the implementation and enforcement of securities laws in a foreign country, which signed a Memorandum of Understanding with the Authority;

"Memorandum of Understanding" – an agreement, the subject of which is cooperation in the implementation and enforcement of securities laws;

"assistance to a foreign authority" – demands for information and documents, the conduct of searches, seizure of documents, the conduct of investigations and the transfer of information and documents, in order to implement and enforce securities laws in a foreign country;

"request for assistance" – a written request for assistance submitted to the Authority by a foreign authority according to a Memorandum of Understanding;

"securities legislation" – statutes in the sphere of securities, with the implementation and enforcement of which the Authority or a foreign authority is charged.

- (b) The meaning of terms in securities laws in a foreign country shall be the meaning they have in law within the jurisdiction of the foreign authority.

Approval of a request for assistance

54K2. When the Authority chairman concludes that all the following have been

complied with:

- (1) a foreign authority submitted to the Authority a request for assistance according to regulations under section 54K7;
- (2) the subject of the request may be a violation of securities legislation, with the implementation of which the foreign authority that submitted the request is charged;
- (3) the provisions of this Chapter and of the Memorandum of Understanding have been complied with;

he may determine that the provisions of this Chapter shall apply to the request.

Powers of the Attorney General

54K3. No act shall be performed by virtue of the provisions of this Chapter if – in the opinion of the Attorney General – it is liable to have an adverse effect on the sovereignty, security, vital interests or public order of the State of Israel or on a pending investigation.

Authorization to perform acts of assistance

- 54K4.(a) In order to assure that assistance will be extended to a foreign authority, a person authorized for that purpose in writing by the Authority chairman may use the powers under sections 56A, 56A1 and 56B to 56C1, mutatis mutandis; however, powers under sections 56B, 56B1 or 56C1 shall be used only if the subject of the request for assistance is liable to be a subject of investigation as a criminal offense under securities legislation in Israel.
- (b) The provisions of section 56E shall apply, mutatis mutandis, to information or documents that reach a person authorized as said in subsection (a).
 - (c) If the Authority chairman decided that the provisions of this Chapter apply to a request for assistance, he may instruct the person authorized as said in subsection (a) to take a statement according to the law procedure that prevails in the jurisdiction of the foreign authority, if the foreign authority so requested in the request for assistance.

Authorization to transmit information and documents

- 54K5. (a) If the Authority chairman determined as said in section 54K2, and if the Authority has the information or document requested in the request for assistance, whoever the Authority chairman authorized for this purpose in writing may transmit the information or document or a certified copy or a certified photocopy thereof to the foreign authority.
- (b) Whoever was authorized by the Authority chairman as said in section 54K4 may transmit to the foreign authority information or a document that came into his possession by virtue of the said authorization or a certified copy or a certified photocopy thereof.
 - (c) Information, documents or copies said in subsections (a) and (b) shall not be transmitted, except if the Authority chairman is satisfied that they will be used exclusively for the purpose for which they are transmitted.
 - (d) Notwithstanding the provisions of this section, a document that is not

public and relates to the business of a banking corporation or of an insurer, or a certified copy or photocopy thereof shall not be transmitted, except if the Controller of Banks or the Controller of Insurance, as the case may be, gave his approval; in this subsection – **"banking corporation"** – as defined in the Banking (Licensing) Law 5741-1981, exclusive of a joint service company; **"insurer"** – as defined in the Insurance Business (Control) Law 5741-1981.

Reciprocity

54K6. The Authority chairman may order that an act under this Chapter not be carried out at the request of a foreign authority that refrained from carrying out a similar act at the Authority's request.

Regulations

54K7. The Minister of Justice may make regulations –

- (1) for implementation of this Chapter, also on procedure for submitting requests for assistance to a foreign authority and handling them;
- (2) for implementation of a Memorandum of Understanding.

Effect of regulations

54K8. If provisions on matters specified below were prescribed in a Memorandum of Understanding and regulations were made for their implementation, the regulations shall be in effect, notwithstanding provisions in this Law or in any other Law:

- (1) the service, proof, verification and certification of documents by the foreign authority at the Authority's request;
- (2) the taking of testimony, seizure of documents or performance of any other enforcement act by the foreign authority at the Authority's request.

Restriction on the transmission of information and documents

54K9.(a) Notwithstanding the provisions of any statute, if information or a document was given to the Authority by a foreign authority, or if it was received, collected or created in consequence of a request for assistance or of a request for information or for a document submitted to the Authority by a foreign authority, including the request itself, the Authority may refrain from transmitting them to any third party; this provision shall not prevent disclosure at a demand from the Attorney General for purposes of a criminal trial, or at the demand of a Court.

- (b) In this section, **"foreign authority"** – a body charged with the implementation of securities legislation in a foreign country, even if it did not sign a memorandum of understanding with the Authority.

CHAPTER TEN: MISCELLANEOUS PROVISIONS

Definitions

54K10. In this Chapter –

"**violation**" – within its meaning in section 52QQ(a);

"**securities**" – as defined in section 52.

Exemption

54L. (a) The Minister of Finance may, with approval by the Knesset Finance Committee, order that all or some of the provisions of this Law and of the regulations made thereunder, except Chapter Eight and sections 39(a) and (b) and 54, shall not apply to securities of the Jewish Agency, on condition that any offer to the public of securities of the Jewish Agency be made in writing, in a document that states that approval under section 39 was given, as well as its conditions and particulars.

(b) An order by the Minister of Finance under subsection (a) may be issued either generally or in respect of categories of securities of the Jewish Agency.

(c) In this section –

"**Jewish Agency**" – the Zionist Executive and the Executive of the Jewish Agency for Eretz Israel, within their meaning in the World Zionist Organization – Jewish Agency for Eretz Israel (Status) Law 5713-1952, and it includes the Keren Hayessod – United Israel Appeal;

"**securities of the Jewish Agency**" –

(1) certificates issued in series by the Jewish Agency that confer a right of claim against it;

(2) certificates issued with the consent of the Jewish Agency that confer on their owners the right to participate in loans that the issuer of the certificates extends to the Jewish Agency, whether that issuer is registered in Israel or abroad, on condition that the Minister of Finance approved the issuer for this purpose with the consent of the Knesset Finance Committee.

Transitional provisions

55. Whoever was a member of the Tel Aviv Stock Exchange Ltd. immediately before the adoption of this Law by the Knesset is qualified to continue being a member thereof, notwithstanding anything said in this Law or in the by-laws of that Stock Exchange.

Fees

55A. The Minister of Finance may, in consultation with the Authority and with approval by the Knesset Finance Committee, prescribe provisions in regulations on fees to be paid to the Authority, including provisions on linkage differentials and fines to be paid for delays in the payment of fees, and on the applicability of the Taxes (Collection) Ordinance to the collection of said fees, linkage differentials and fines.

Publishing a notice in a newspaper

- 55B. (a) The Minister of Finance shall – upon a proposal by the Authority or after consultation with it and with approval by the Knesset Finance Committee – prescribe provisions in regulations about ways of publishing a notice under this Law in a newspaper, including the particulars that must be included in the notice, the size of the notice and characteristics of its appearance, and the Minister may prescribe different provisions for different categories of notices that are published in newspapers under this Law, or for different categories of bodies corporate or of securities.
- (b) There must be no misleading particular in a notice published in a newspaper under this Law

Power to postpone the date for convening a meeting

- 55D. Notwithstanding the provisions of any statute, if a report about calling a meeting of the holders of securities in a body corporate was published (in this section: report), the Authority Chairman or an Authority staff member whom he so authorized may order that the time for convening the meeting, as stated in the report, be postponed to a date not later than 35 days after the date on which the said report was published or after the date of publication of an amended report or of additional documents connected to the report, if he concluded that that is necessary in order to assure the fair disclosure required in order to protect the interests of the public that invests in the securities of the body corporate.

Implementation and regulations

56. (a) The Minister of Finance is charged with the implementation of this Law and he may, in consultation with the Authority, make regulations on any matter related to that implementation, to the extent that this Law does not include other provisions on that matter.
- (b) The Minister of Justice shall make procedural regulations for the purposes of sections 14A, 35N(g), 36C(b), 38, 47 and 56A.
- (c) The Minister of Finance shall – on the Authority's proposal, in consultation with the Minister of Justice and with approval by the Knesset Finance Committee – make regulations in respect of –
- (1) qualifications of underwriters and distributors;
 - (2) deposits and professional liability insurance of underwriters and distributors;
 - (3) reports that underwriters shall submit;
 - (4) restrictions, in general or by categories, in respect of conflicts of interest between underwriters and offerors or between an underwriter and whoever bought securities under a prospectus from him, through him or brokered by him; for this purpose, "**underwriter**" includes persons about to become underwriters.
- (4a) a register of underwriters and fees that underwriters must pay to the Authority.
- (5) other matters related to the business of underwriters and of distributors.
- (d) The Minister of Finance shall – on the Authority's proposal, in

consultation with the Minister of Justice and with approval by the Knesset Finance Committee – make regulations concerning a person who undertakes to buy securities offered by prospectus, to the extent that the public does not buy them, in respect of –

- (1) an offer to purchase securities of a listed company;
- (2) the disclosure that shall be made of the particulars of a securities allocation in a listed company that was not offered to the public, including the Authority's powers in respect of a said disclosure;
- (3) the disclosure that shall be made of the particulars of an act or transaction by a company, which requires approval under sections 275 or 320(c) of the Companies Law, including the Authority's powers in respect of a said disclosure.

Power to demand information and documents

- 56A. (a) In order to assure the implementation of this Law, or if there are reasonable grounds to assume that a violation was committed or if suspicion of a securities violation arose, the Authority chairman or an Authority employee whom he so empowered in writing may –
- (1) demand from any person any information or document connected to the business of a body corporate to which this Law applies, or that relate to a said violation or offense;
 - (2) enter – after identifying himself – any place where he has grounds to assume that activity of a supervised body takes place and that is not only used as a residence, and demand that he be given documents said in paragraph (1); however a said document shall not be seized, if a copy thereof will suffice.
- (b) The Authority shall return documents delivered to it to the person from whom they were taken not later than six months after it was given the document, except if an indictment was filed in a trial or notice was sent that an administrative enforcement proceeding under section 52TT was initiated and the document may be evidence in the said trial or proceeding; a Magistrate's Court judge may – at the request of the Authority or of a representative of the Attorney General and after the person from whom the document was taken was given appropriate opportunity to state his arguments – extend this period on conditions that he shall prescribe..

Control of acts on the Stock Exchange

- 56A1.(a) In order to assure implementation of this Law, the Authority chairman or an Authority employee whom he gave written authorization may require from the Stock Exchange, from a Stock Exchange member, from a company that holds a platform license under section 44M or from a portfolio manager, as defined in the Counseling Law, any information or document connected to a transaction with securities listed for trading on the Stock Exchange that was carried out by or through them, including identifying particulars of the person for whom the transaction was carried out or of the person who gave the Stock Exchange member or the portfolio manager instructions to perform the transaction.

- (b) The provisions of section 56A(b) shall apply to documents delivered under this section.
- (c) The provisions of this section shall not derogate from the powers of a Stock Exchange under its by-laws.

Appointing investigators and senior investigators

- 56A2. (a) The Authority chairman may appoint Authority employees, for whom all the following hold true, to be investigators:
- (1) The Israel Police gave notice, within three months after the Authority's request, that it does not object to the appointment for reasons of public peace and security, and not for reasons of a criminal past;
 - (2) they received suitable training in respect of the powers that will be vested in them under this Law, as the Minister of Finance prescribed upon a proposal by the Authority or after consultation with it and with the consent of the Minister of Internal Security, according to criteria agreed between the Minister of Finance and the Minister of Internal Security.
 - (3) they meet additional qualifications, as prescribed by the Minister of Finance.
- (b) The Authority chairman may appoint an investigator who served in his position three years or an Authority employee with similar experience who meets the conditions of subsection (a)(1) to be a senior investigator; the powers vested in an investigator under this Law shall also be vested, mutatis mutandis, in a senior investigator.

Powers to search and seize

- 56B. (a) In this section, "**object connected to an offense**" – an object to which one of the following applies:
- (1) an offense was committed with it, it was used to commit an offense, it made commission of an offense possible or it was intended for its commission;
 - (2) it was obtained, directly or indirectly, as compensation for commission of the offense, was intended to be compensation for commission of the offense or was obtained in consequence of its commission;
 - (3) it may, in a proceeding, serve as evidence in respect of the offense.
- (b) If suspicion arose that a securities offense was committed, an investigator may –
- (1) apply to a Magistrates Court judge for an order that allows him to enter any place, to conduct a search there and to seize any object connected to an offense;
 - (2) enter any place any place that is not only a residence, conduct a search there and seize any object connected to an offense of the category of felony even without a judge's order as said in paragraph (1), according to a certification by a senior investigator whom the Authority chairman authorized to do so, on condition that there was no time to obtain an aforesaid order

- in time; a senior investigator shall give a said certification if he is convinced that the search must be carried out immediately, in connection with the performance of an act under this section or in connection with the performance of an investigation under section 56C(1) because of the suspicion that evidence will be made to disappear or because of a suspicion of interference with investigative proceedings;
- (3) seize, in connection with an investigation under section 56C(1), any object connected to the offense.
- (c) The provisions of sections 24, 26 to 29, 45 and 46 of the Arrest and Search Ordinance shall apply to a search under subsection (b)(1) and (2), as the case may be and mutatis mutandis, and the provisions of sections 39 to 42 of the said Ordinance shall apply, mutatis mutandis, to objects seized under subsection (b)(1), (2) or (3) and also to property seized under section 56B1.
 - (d) Objects seized under this section shall be kept safe in the Authority office or in some other place under its supervision.
 - (e)
 - (1) The Authority shall return objects seized under this section to the person from whom they were seized not later than twelve months after the day of the seizure, except if an indictment was brought in a proceeding in which the object is likely to be evidence.
 - (2) Notwithstanding the provisions of paragraph (1), the provisions of sections 32(b) and 32A of the Arrest and Search Ordinance shall apply to the seizure of a computer or of anything that constitutes computer material, within its meaning in the said sections.
 - (f) The provisions of section 32A of the Arrest and Search Ordinance shall apply to the penetration of computer material and to the production of printouts in the course of such penetration, which were carried out under the provisions of this section.
 - (g) A Magistrates Court judge may – at the request of an investigator or of the representative of the Attorney General – extend the time set in subsection (e)(1) for additional periods of six months at a time, on condition that the person from whom the object was seized was given an opportunity to present his arguments.
 - (h) A Magistrates Court judge may – at the request of an investigator or of a person who claims a right to an object seized under this section – order that the object that was seized as aforesaid be given to the person who claims the right or to a certain person, or that it be dealt with otherwise as the Court shall order, all according to the conditions that will be prescribed in the order.
 - (i) Appeal against a decision under subsections (g) and (h) may be brought before the District Court, where the appeal shall be heard by one judge; a decision of the District Court under this subsection can be appealed before the Supreme Court, where the appeal shall be heard by one judge, if permission therefor was granted by a Supreme Court judge.

Power to petition for a temporary order to seize property

56B1. (a) In this section –

"**property**" – money, securities as defined in section 52 or other negotiable documents, as well as the right to receive each of these, including property that is the consideration for aforesaid property or derives from it;

"**property connected to an offense**" – like the definition of "object connected to an offense" in section 56B(a), mutatis mutandis;

"**seizure**", in respect of property that is a right – including a prohibition to use the right, its restriction or stipulation.

- (b) If suspicion arose that a securities offense was committed, the investigator may petition a Magistrates Court judge to issue a temporary order to seize property connected to the offense and to order what should be done with it; a said order shall remain in effect during one year after the day of its issue, unless it includes a different provision; however, a Magistrates Court judge may – at the request of a senior investigator – extend the effect of the order for an additional year (in this subsection: the extension period); if, until one year after the temporary order was issued – and if its effect was extended, until the end of the extension period – no indictment was brought, a Magistrates Court judge may – at the request of the State Attorney – extend the effect of the order for an additional year (in this subsection: the additional period); if no indictment was brought by the end of the additional period the order shall lapse; if an indictment was brought by the end of the additional period, the Court before which the indictment was brought may extend the effect of the order until the end of the judicial proceedings.

Power to investigate

56C. If suspicion arose that a securities offense was committed, an investigator may –

- (1) interrogate any person who, in his opinion, is connected to the offense or who may have information connected to it; for the interrogation the investigator shall have the powers of a police officer of the rank of inspector under section 2 of the Criminal Law Procedure Ordinance and the provisions of sections 2 and 3 of the said Ordinance shall apply to the interrogation;
- (2) demand of any person to appear before him or before another investigator in order to deliver all the details, documents or information that pertain to that offense or to the investigation, and he also may demand of any person to accompany him to a place where the delivery or the interrogation will take place.
- (3) (a) Without derogating from powers to search under any statute, the investigator may – soon after the interrogation began or in its course and after he so informed the person – conduct a body search on that person or order such a search to be conducted, and seize any object if – in his opinion – that is necessary in order to protect that person's safety or public welfare or security or in order to prevent any interference with the investigation; in

this paragraph, "**body search of a person**" – a search on a person's body, in his clothes and his accessories, which is not an external search or an internal search, as defined in the Criminal Law Procedure Law (Powers of Enforcement – Body Search of Suspect) 5756-1996.

- (b) A search under this section, other than a search in a person's accessories, shall as far as possible be carried out by a person of that person's gender and in a manner that secures the person's dignity and privacy.
- (c) If objects were seized in a search under this section, the fact of their seizure shall be recorded, they shall be kept safe and returned to the person from whom they were seized at the end of the investigation during which they were seized, except if there is lawful authority to continue holding them; the provisions of section 22(c) of the Arrest and Search Ordinance shall apply to objects that have not been returned.

Powers to detain, arrest and release

- 56C1. (a) In the case of a securities offense, the investigator shall have the powers to detain, arrest and release, which under Chapters Two and Three of the Arrests Law are vested in a policeman, and a senior investigator shall have the powers to detain, arrest and release that under the said Chapters are vested in a police officer or in the officer in charge, and the provisions of the Arrests Law shall apply, mutatis mutandis and with these changes:
- (1) the Authority offices shall be treated like a police station;
 - (2) notwithstanding the provisions of section 25 of the Arrests Law, the investigator who arrested a person may bring him before a judge without first bringing him to the Authority offices.
- (b) If an investigator arrested a person under this section and the suspicion arises that he has an object that can injure a person, then in respect of that person he shall have the powers vested in a policeman under section 22 of the Arrest and Search Ordinance, mutatis mutandis.

Notice to the Israel Police

56C2. The Authority chairman or a person so authorized by him shall inform the Inspector General of the Israel Police or a person so authorized by him, according to procedures that will be prescribed by the Authority chairman and the Inspector General of the Israel Police, that the Authority's powers under section 56B, 56C and 56C1 have been used in connection with offenses under paragraphs (3) or (4) of the definition of "securities offense".

Injunction and temporary injunction

56D. If the Authority chairman has reasonable grounds to assume that a securities offense or a violation is being committed, or that an aforesaid offense or violation is about to be committed, he may petition the Court for an injunction that forbids the commission or the continuing commission of the acts to which the petition refers.

Confidentiality

56E. A person empowered under sections 52QQ, 56A, 56B, 56B1, 56C or 56F shall not disclose the content of information or of a document that came into his possession by virtue of his position except for purposes of the investigation or of the inquiry into a violation under section 52QQ, as the case may be, or to the Authority chairman or to an Authority employee according to instructions by the Authority chairman; this provision shall not prevent disclosure on demand by the Attorney General for purposes of a criminal trial or of the inquiry of a violation under section 52QQ, as the case may be, or on demand by the Court or by the panel appointed to deal with the violation..

Audit

56F. If the Authority concludes that – in order to protect the interests of the public that invests in securities – an audit should be carried out in a body corporate to which the provisions of this Law apply, it may also authorize persons who are not Authority employees to carry out an audit and to demand documents and information as said in section 56A; this section shall not apply to a Stock Exchange, to a banking corporation and to an insurer within its meaning in the Insurance Business (Control) Law 5741-1981.

Taxes and civil wrongs

56G. The Authority shall be treated like the State in respect of –

- (1) the payment of taxes, stamp tax, fees, municipal taxes, levies and other mandatory payments;
- (2) the Civil Wrongs (Liability of the State) Law 5712-1952.

Indemnification and insurance are prohibited

56H. (a) Notwithstanding the provisions of any statute and without derogating from the provisions of sections 262 to 264 of the Companies Law –

- (1) a proceeding under Chapters Eight "C", Eight "D" or Nine "A" must not be insured, either directly or indirectly;
 - (2) an insurance contract for the insurance event of a proceeding is void;
 - (3) a body corporate shall not indemnify and shall not pay – directly or indirectly – monetary composition that was imposed on anybody else, and a controlling shareholder of a body corporate shall not indemnify and shall not pay – directly or indirectly – monetary composition that was imposed on the body corporate, on a senior officer of the body corporate or on an employee of the body corporate;
 - (4) provisions or undertakings to indemnify for a proceeding are void.
- (b) (1) Notwithstanding the provisions of subsection (a), it is possible to indemnify or insure a person for payments to a person harmed by a violation said in section 52BBB(a)(1)(a) or for expenses he incurred in connection with a proceeding held on his matter, including reasonable legal expenses, including Advocates' fees,

also by means of indemnification in advance.

- (2) An undertaking to indemnify or insure a senior officer under paragraph (1) shall be of no effect, except if the by-laws of the company include an explicit provision that permits that.

Amendment of the Companies Ordinance

57. *(Note: This section amends the Companies Ordinance and its provisions have been incorporated into our translation of that measure – Tr.)*

Effect

58. The provisions of Chapter Two shall come into effect on April 1, 1969; the other provisions of this Law shall come into effect on July 1, 1969.

Restriction on applicability

59. If an offer of securities is made after July 1, 1969, under a prospectus validly issued before that date, the Law which was in effect immediately before that date shall apply to it and the provisions of this Law shall not apply to it.

SCHEDULE ONE

(Section 15A(b)(1))

For the purposes of section 15A(b)(1), an investor is any one of the following, provided that – before the date of every acquisition that he carries out – he gave his written consent that all the conditions enumerated in this Schedule apply to him and that he is aware of the meaning of the fact that he is an investor included in this Schedule and consents thereto (hereafter: consent); approaching an investor in order to obtain the consent shall not, by itself be deemed an offering to the public; if the acquisition was carried out within the trading system for institutional investors, within its meaning in the Stock Exchange By-laws, the person who gave his advance consent to the Stock Exchange member before he submitted an order for the first time to the trading system for institutional investors shall be deemed to comply with the provisions of the Schedule about consent, provided that, if the case is one of an investor under items (6) or (9) to (12) of this Schedule, he undertook in advance to give his consent anew by the last trading day of the third month of every year and that, if he ceases to comply with the content of the consent that he gave, he will immediately so inform the Stock Exchange member and will cease giving purchase orders within the said trading framework:

- (1) a Joint Investments Trust Fund, within its meaning in the Joint Investment Trusts Law 5754-1994, or a company for management of a said fund;
- (2) a provident fund or a management company, as defined in the Control of Financial Services Law (Provident Funds) 5765-2005;
- (3) an insurer, within its meaning in the Insurance Business (Control) Law 5741-1981;
- (4) a banking corporation and an auxiliary body corporate, within their meaning in the Banking (Licensing) Law 5741-1981, exclusive of a joint service company, which acquire for themselves or for customers who are investors enumerated in section 15A(b);
- (5) a portfolio manager, within its meaning in section 8(b) of the Regulation of Investment Counseling and Portfolio Management Law 5755-1995, who acquires for himself or for customers who are investors enumerated in section 15A(b);
- (6) an investment counselor or an investment marketer, within their meaning in section 7(c) of the Regulation of Investment Counseling and Portfolio Management Law 5755-1995, who acquires for himself;
- (7) a Stock Exchange member who acquires for himself or for customers who are investors enumerated in section 15A(b);
- (8) an underwriter who meets the qualifications under section 56(c) who buys for himself;
- (9) a risk capital fund; for this purpose, "**risk capital fund**" – a body corporate, the main activity of which is investment in bodies corporate whose main activity – at the time of the investment – is research and development or the production of innovative and knowhow intensive products or processes, investment in which involves greater risk than is common with other investments;
- (10) a body corporate wholly owned by investors enumerated in section 15A(b);
- (11) a body corporate – other than a body corporate formed for the acquisition of

securities from a certain offer – with an equity capital in excess of NS 50 million;

- (12) an individual, for whom the conditions prescribed in item 9 of the Schedule to the Counseling Law hold true, who purchases for himself, and for this purpose the said item shall be read as if "a qualified client for the purposes of this Law;" had been replaced by "a qualified client for the purposes of section 15A(b)(1)".

SCHEDULE TWO
(Sections 1, 35T and 35EE))
Stock Exchanges Abroad

1. New York Stock Stock Exchange (NYSE)
2. America Stock Stock Exchange (AMEX)
3. National Association of Securities Dealers Automated Quotation Global Select Market (NASDAQ)
4. NASDAQ Global Market

SCHEDULE THREE
(Sections 1, 35R, 35T and 35EE)
(Stock Exchanges Abroad Designated by the Minister of Finance)

These are the Stock Exchanges abroad for the purposes of section 35R of the Law:

- (1) The subsidiary list of NASDAQ – the NASDAQ Capital Market
- (2) "**London Stock Exchange**" – the London Stock Exchange's Main Market (Official List of the U.K. Listing Authority), Primary Listing.

SCHEDULE THREE "A"
(Section 12(d))
**Separate Ways of Handling Applications for
Permits to Publish Prospectuses**

1. Prospectuses offered as part of a privatization decision, within its meaning in the Government Companies Law 5735-1975, if the Ministerial Committee on Privatization decided that, under the circumstances of the case, the application of separate ways of handling is important for advancing the privatization.
2. Prospectuses for the sale of the shares, as defined in the Bank Shares under Arrangement Law (Ad Hoc Provisions) 5754-1993.
3. Prospectuses issued by an issuer that is a company with an equity of not less than an amount determined by the Authority with approval by the Minister of Finance; notice of a said determination shall be communicated to the Knesset Finance Committee and shall be published in *Reshumot*.
4. Prospectuses issued by an issuer that is a company that is obligated, under a

statute, to draw up financial reports consolidated with the financial reports of several other companies, or to draw up financial reports that include investments in several other companies according to the balance sheet value method, if the Authority concludes that under the circumstances the application of separate handling to a said combine of companies is justified.

5. Prospectuses for commercial paper.
6. Shelf prospectuses.

SCHEDULE THREE "A1"

(Section 35I1(f) and (g))

Categories of Debentures and Categories of Issuers to Which the Provisions of Section 35I1 Do Not Apply

Column One Categories of Debentures	Column Two Categories of Issuers	Column Three The provisions that shall not apply
1. Debentures that constitute capital instruments	banking corporation, insurer or a subsidiary of either, on condition that the banking corporation or the insurer assumed the obligation to repay the debentures, subject to all their conditions	section 35I1
2. Debentures that do not constitute capital instruments	banking corporation, insurer or a subsidiary of either, on condition, that the banking corporation or the insurer assumed the obligation to repay the debentures, subject to all their conditions	subsection (a)(1) of section 35I1

In this Schedule –

"insurer", "Commissioner" and "Supervisor of Banks" – as defined in section 52NNN(d);

"capital instrument" – a composite capital instrument or deferred writ of obligation, which according to its conditions can be wholly or partly included in the capital of a banking corporation or of an insurer for the determination of the banking corporation's minimum capital ratio or for the determination of the insurer's recognized capital, according to provisions by the Supervisor of Banks or by the Commissioner, as the case may be.

SCHEDULE THREE "B"

(Section 35DD(b) and (d))

State of incorporation	Stock Exchange outside Israel	Type of Securities
1. France	An authorized market granted approval	shares

by Autorite des Marches Financieres
under the European directive 2004/39/EC

SCHEDULE FOUR

(Section 39A)

Application of Provisions to a Company Incorporated Abroad, the Shares of which Are Offered to the Public in Israel

Companies Law	Regulations under this Law
1. Shareholder meetings and ballots	sections 63 to 66, 87 and 89
2. Chairman of the Board of Directors and General Manager	sections 95 and 121(c)
3. Audit Committee	sections 114 to 117
3A. Remuneration Committee	sections 118A and 118B
4. Internal auditor	sections 146 to 153
5. The right of shareholders to read and obtain information	sections 184 and 185
6. Derivative claim and class action	sections 194 to 218
6A. Service of an officer	sections 225 to 226A, 231 to 232A, 234F and 251A
7. Outside Director	sections 239 to 249A
8. Obligations of officers	sections 252 to 256
8A. Remuneration policy for officers and service and employment conditions of officers	sections 267A, 267B, 270(2) and (3), 272 and 273
9. Transactions with controlling shareholder	sections 270(4) and 275 to 282 Securities Regulations (Transactions between a Company and Its Controlling Member) 5761-2001
10. Purchase offers	sections 328 to 340 and 342A Securities Regulations (Purchase Offers) 5760-2000

SCHEDULE FOUR "A"

(Section 44DD)

1. A transaction with an agreement or an arrangement registered for trading on the Exchange, their value being derived from the value of shares listed for trading on the Exchange, of continuous share indexes, or of a transaction with securities listed for trading on the Exchange, the transaction not being one of these:
 - (1) a resale transaction of securities, as defined in section 50A(c2);
 - (2) a transaction of a value of not less than NS 3,000,000.

SCHEDULE FIVE
(Sections 52O(a))

Part One

- (1) Made an offering to the public not by a prospectus that the Authority permitted to be published or by a draft prospectus that was approved and signed as said in section 22 and submitted to the Authority, in violation of the provisions of section 15(a), or made a sale to the public not by a prospectus that the Authority permitted to be published, in violation of section 15(b);
- (2) did not give the issuer particulars that he needs in order to fulfill his obligations under section 17(b)(5) in violation of the provisions of section 17(c);+*+*+*
- (3) (a) did not submit to the Authority or to the Stock Exchange a report, notice, document, explanation, specification or information, or an opinion or survey by an auditor, in the manner and at the time set therefor, in violation of the provisions of sections 26(c), 30, 35N(f), 35O(a), 35W(b), 35X, 35EE(a), 36, 44D, 52AA(b), 52HHH(d), 54C(c), 54F, 56(c)(3) or (d), other than a report under regulation 17(a) of the Securities Regulations (Underwriting) 5767-2007 (hereafter: the Underwriting Regulations) or a report under regulation 36(a) of the Securities Regulations (Periodic and Immediate Reports) 5730-1970 (both hereafter: report of a special event or matter);
 (b) submitted a report of a special event or matter to the Authority or to the Stock Exchange later than the time set therefor, but sooner than seven days after that time.
- (4) did not inform the Authority of the results of the offering in the prospectus at the time set therefor, in violation of the provisions of section 30;
- (5) did not transmit a copy of a report, document or information to the trustee at the time set therefor, in violation of the provisions of section 35J(a) or (b);
- (6) did not present a particular in financial reports, in a periodic report or in an immediate report according to the Authority's directions and instructions under section 36A;
- (7) did not give a body corporate notice on securities of the body corporate that he holds or about other particulars that relate to him, on the date set therefor, in violation of the provisions of section 37;
- (8) did not place copies of a prospectus that was allowed to be published, of a registration document or of any report, opinion or certification included or mentioned in them or any report or notice that were submitted under sections 36 to 37 in the head office of the issuer or of the body corporate for perusal by any person who so requests, in violation of the provisions of section 44;.
- (9) did not include in a draft prospectus, prospectus, report, notice, document or

- purchase offer specifications that were submitted to the Authority under this Law, or in a report, survey or certification included or mentioned in a report with the advance consent of the person who gave the opinion, a particular, the mention of which is prescribed in a special requirement in provisions under this Law;
- (10) acted in violation of provisions under section 44J(a), under section 129B of the Joint Investment Trusts Law and under section 40A of the Consulting Law;
 - (11) did not comply with a provision or demand that the Authority gave him under section 44R(c) or 44T(b), (d) or (e) at the time set therefor;
 - (12) did not report or did not give information at the time set therefor, or did not include in a report or in information a particular that he should have included in them, in violation of the provisions of section 44BB(a) or 44CC(4) or (8);
 - (13) publicized or marketed the platform in violation of the provisions of section 44CC(7)
 - (14) did not comply with an instruction by the Authority that was given under section 50C(b) at the time set therefor or did not give the Authority information or documents that he was required to give under section 50C(d) at the time and in the manner set therefor;
 - (15) did not publish, on the date set therefor, a notice in a newspaper under section 55B(a) about one of the acts specified in the subitems below, in violation of the provisions said in those subitems:
 - (a) submission of documents in respect of a prospectus, publication of which was permitted, in violation of the provisions of section 23(c)(2);
 - (b) allocation of securities, for which submitted orders exceed the total of offered securities, in violation of the provisions of section 27(b)(2);
 - (c) submission of a registration document to the Authority, the Registrar and the Stock Exchange, in violation of the provisions of section 35V(a);
 - (d) decision by the Board of Directors of a listed company on a proposal to issue securities by an offering not to the public (hereafter: private offering), in violation of regulation 3(a)(2) of the Securities Regulations (Private Offering of Securities in a Listed Company) 5760-2000 (hereafter: Private Offering Regulations);
 - (e) amendment of a report about a private offering report in violation of regulation 17(c) of the Private Offering Regulations;
 - (f) notice of a transaction with a controlling shareholder and its conditions and on convening a General Meeting for its approval in violation of regulation 2(a)(2) of the Securities Regulations (Transactions Between Companies and Their Controlling shareholders) 5761-2001 (hereafter: Transactions with Controlling shareholders Regulations);
 - (g) notice of the submission of a specification, in violation of regulation 20(b) of the Securities Regulations (Purchase Offer) 5760-2000 (hereafter: Purchase Offer Regulations);
 - (16) included a misleading particular in a notice published under this Law in a newspaper, in violation of the provisions of section 55B(b);

- (17) did not deliver a notice or document, in violation of a demand by the Authority chairman or by an Authority employee who was so authorized, which was addressed to a supervised factor and was made in order to assure implementation of this Law or if there were reasonable grounds to assume that a violation had been performed, in violation of the provisions of section 56A or in violation of the provisions of section 56A1;
- (18) insured, indemnified or paid monetary composition in place of another person, in violation of the provisions of section 56H;
- (19) implemented a purchase offer without publishing a written purchase offer specification under regulation 5 of the Purchase Offer Regulations;
- (20) did not make available for perusal an opinion of the Board of Directors or a notice of the Board of Directors on abstaining from giving an opinion on a special purchase offer, in violation of regulation 21(b) of the Purchase Offer Regulations;
- (21) did not postpone the last date for accepting a purchase offer in violation of the Authority's instructions under regulation 23(c) of the Purchase Offer Regulations;
- (22) did not offer in a purchase offer to acquire all securities convertible into those shares that are listed for trading on the Stock Exchange in Israel, at the time and on the conditions prescribed therefor under regulation 26 of the Purchase Offer Regulations;
- (23) did not make copies of the report or of notices available to all for perusal in the underwriter's head office and did not make it possible to copy them according to the provisions of regulation 18 of the Underwriting Regulations;
- (24) did not keep documents in violation of the provisions of regulation 27 of the Underwriting regulations;
- (25) did not publish an immediate report in violation of regulations 3 or 5 of the Securities Regulations (Price Stabilization) 5773-2012 (hereafter: the Stabilization Regulations);
- (26) did not keep certificates and did not document acts in violation of regulation 4 of the Stabilization Regulations.

SCHEDULE SIX
(Sections 52O(a), 52T, 52U)

1. For reporting bodies corporate and for bodies corporate that do not report and offered their securities to the public –

Equity (in NIS)	Grade	Amount of Monetary Fine (in NIS)
up to 50,000,000	A	30,000
from 50,000,001 to 835,000,000	B	shareholders' equity multiplied by 6/10,000
above 835,000,000	C	500,000

2. For bodies corporate that are underwriters –

Extent of underwriting obligations in the year that ended before the date of the payment demand (in NIS)	Grade	Amount of Monetary fine (NS)
up to 70,000,000	A	20,000
from 70,000,001 to 200,000,000	B	total underwriting liabilities in the year ended prior to the payment demand date multiplied by 3/10,000
above 200,000,000	C	160,000

3. For bodies corporate, the main activity of which is the issue of financial products –

Value of the net liabilities (in NS)	Grade	Amount of monetary fine in (NS)
up to 417,000,000	A	250,000
from 417,000,001 to 1,667,000,000	B	net liabilities multiplied by 6/10,000
above 1,677,000,000,000	C	1,000,000

4. For a clearing house, as defined in section 50A, and for a company with a platform license, within its meaning in Chapter Seven "C" – NS 500,000

5. For any other body corporate and for an individual – NS 6,000

SCHEDULE SEVEN

(Section 52EE)

Part One

- (1) Did not – in a prospectus – emphasize a particular that the Authority demanded that it be especially emphasized in the manner required, in violation of the provisions of section 20(b);
- (2) accepted orders before the beginning of the period for their submission or after its end, in violation of the provisions of section 24(d);
- (3) did not refund to people who placed orders and paid on account of securities amounts that they paid within the period set therefor, in violation of the provisions of section 27(a) or (b)(3), or allocated securities not in the way or in the manner said in the prospectus, in violation of the provisions of section 27(b)(1);
- (4) listed for trading on a Stock Exchange securities offered according to a registration document, not on the date prescribed in section 35W(a);
- (5) did not make available for perusal by a shareholder or did not send him at his request a copy of a document connected to the allocation of securities in a listed company in a private offering, in violation of regulation 6 of the Private Offering Regulations;
- (6) did not make available for perusal by a shareholder or did not send him at his request a copy of a document connected to a transaction with a controlling shareholder, in violation of the provisions of regulation 5 of the Transactions with Controlling shareholders Regulations;

Part Two

- (1) Made a sale at a price that was not uniform, in violation of the provisions of section 17A;
- (2) offered securities listed or intended to be listed for trading on a Stock Exchange or sold said securities not on conditions and not in a manner equal for all, in violation of the provisions of section 17C(a)(1), set a maximum price for securities offered by a uniform offer in violation of the provisions under section 17C(a)(2), or offered securities that were listed or were intended to be listed for trading on a Stock Exchange in violation of the conditions or restrictions prescribed for that matter under section 17C(b);
- (3) did not include in a prospectus a thing he should have included in it according to a demand by the Authority made under the provisions of section 20(a);
- (4) continued to offer securities under a shelf prospectus, in violation of an instruction from the Authority given under section 23A(e);
- (5) did not publish an amendment to a prospectus or an amended prospectus in the form, in the manner or on the date prescribed therefor by the Authority under sections 25(a) or 25A(b);
- (6) offered debentures to the public, even though no trustee for the debenture holders had been appointed, in violation of the provisions of section 35B(a);

- (7) bought or held for nostro debentures of the series subject to the trusteeship or securities of the issuer or of the parent company, of a subsidiary or of a company linked to the issuer in violation of the provisions of section 35K, or performed a transaction with securities that are the subject of the trusteeship for another person's account, by virtue of a power of attorney that gives him discretion, in violation of the provisions of section 35L;
- (8) did not comply with the conditions prescribed in section 44M(b)(1), (4) and (5), in violation of the provisions of section 44N;
- (9) proposed to trade in a trading platform in violation of the provisions of section 44O and he should have known that the platform is not managed by a company with a platform license or by whoever has the right to manage a trading platform without a license;
- (10) gave credit to his clients in violation of the provisions of section 44P(b);
- (11) violated an obligation to notify under section 44V;
- (12) transferred means of control in violation of the provisions of section 44Y;
- (13) digressed from the permitted level of leverage of financial assets traded in the platform, in violation of the provisions of section 44CC(1);
- (14) did not keep his clients' money safe according to the provisions of section 44CC(3);
- (15) did not keep documents and did not record transactions according to provisions under section 44CC(5) or (9);
- (16) included a misleading particular in a notice published in a newspaper under this Law, or omitted from a said notice a particular, the absence of which is liable to mislead a reasonable investor, in violation of the provisions of section 55B(b), and he should have known that that can mislead a reasonable investor;
- (17) whoever was authorized under section 56F disclosed the contents of information or of a document that he received by virtue of his position, in violation of the provisions of section 56E;
- (18) insured his liability to an extent and on conditions that he knew or should have known to be insufficient in order to secure all of his liability under Chapter Five of the Law, in violation of the provisions of regulation 5 of the Underwriting Regulations;
- (19) did not invest the amount said in regulation 6(a) of the Underwriting Regulations (hereafter: the deposit) or did not do so in the manner prescribed by that subregulation, did not deposit the deposit under the provisions of regulation 6(b) of the Underwriting Regulations or deposited it not according to the provisions of regulation 6(b) of the Underwriting Regulations, or charged or withdrew the deposit in violation of the provisions of regulation 6(b) of the Underwriting Regulations;
- (20) withdrew a purchase offer, in violation of regulation 4 of the Purchase Offer Regulations;
- (21) made a purchase offer not according to the provisions of regulation 5 of the Purchase Offer Regulations, set a last date for acceptance in violation of the provisions of regulation 6 of the Purchase Offer Regulations or acted not according to regulation 7 of the Purchase Offer Regulations;
- (22) sold, undertook to sell, bought or undertook to buy – during the acceptance period – securities that are the subject of the purchase offer, not according to the purchase offer, in violation of the provisions of regulation 24 of the

Purchase Offer Regulations

Part Three

- (1) Made an offer to the public not according to a prospectus, publication of which the Authority permitted or according to a draft prospectus that was approved and signed as said in section 22 and submitted to the Authority, in violation of the provisions of section 15(a), or made a sale to the public not according to a prospectus, publication of which the Authority permitted, in violation of the provisions of section 15(b), and he should have known that he makes an offer to the public or a sale to the public not according to a said prospectus or draft prospectus, as the case may be;
- (2) did not submit to the Authority a report, notice, document, explanation, specification or information, an auditor's opinion or survey, in the manner or at the time prescribed therefor, in violation of provisions under sections 25(d), 26(c), 30, 35D(b)(2), 35N(f), 35O(a), 35X, 36, 44D, 52AA(b), 52HHH(d), 54C(c), 54F or 56(c)(3) or (d) because of severe negligence, and he should have known that that can mislead a reasonable investor;
- (3) did not submit to the Authority at the time prescribed therefor a report or notice that he published or submitted under the foreign Law or that he published and submitted to investors in his securities that are listed for trading on a Stock Exchange abroad, in violation of provisions under sections 35W(b) or 35EE(a), and he should have known that that can mislead a reasonable investor;
- (4) included a misleading particular in a draft prospectus, prospectus, report, notice, document or purchase offer specification, which was submitted to the Authority under this Law, in violation of the provisions of section 44A1(a), or included a misleading particular in an opinion, report, survey or certification that was included or mentioned in one of these with his prior consent in violation of the provisions of section 44A1(b) and he should have known that that can mislead a reasonable investor;
- (5) managed a trading platform without a platform license or in violation of its conditions, in violation of the provisions of section 44M;
- (6) included a misleading particular in a report in a publication on his behalf or in other information that was concealed, in violation of the provisions of section 44Q(b) and he should have known that that can mislead a reasonable investor;
- (7) did not report or did not give information at the time set therefor, or did not include in a report or in information a particular he should have included in it, in violation of provisions under section 44BB(a) or 44CC(4) or (8), and he should have known that that can mislead a reasonable investor;
- (8) conducted a securities Stock Exchange without having received a license therefor, in violation of the provisions of section 45;
- (9) made a transaction with the security of a company or with another security for which the company's security is the underlying asset, in violation of the provisions of section 52C(a), and he should have known that he or the company has inside information; however, a person shall not be deemed to

- have made a violation under this item if he proves one of the defenses specified in paragraphs (1) or (4) to (9) in section 52G(a);
- (10) gave inside information or an opinion about a security to a person he should have known will use the inside information or will exploit the opinion for a transaction or give it to another in violation of the provisions of sections 52C(a) or 52D(a), and he should have known that the information is inside information or an opinion about a security; however, a person shall not be deemed to have performed a violation under this item if he proves one of the defenses specified in item (9);
 - (11) used inside information that reached him, directly or indirectly, from an inside person in the company, in violation of the provisions of section 52D(a), and he should have known that the information is inside information that came from an inside person in the company; however, a person shall not be deemed to have performed a violation under this item if he proves one of the defense specified in item (9);
 - (12) bought or sold a security not in the course of trading on a Stock Exchange or not according to a written order that he gave at least one day before the purchase or sale was carried out, in violation of the provisions of section 52I(b), held his securities not in an account in his name with a Stock Exchange member, in violation of the provisions of section 52I(c), or gave an order to buy or sell a security not according to the provisions of section 52I(d);
 - (13) served as underwriter even though he was not registered in the Underwriters Register, did not meet a condition for the said Register or acted as underwriter, even though he was registered in the said register under inactive status, in violation of the provisions under section 56(c)(4a);
 - (14) being an underwriter, it had Directors, officers or employees not according to the conditions prescribed in the provisions of regulations 7 or 9 of the Underwriting Regulations;
 - (15) assumed an underwriting obligation in excess of 15% of all the underwriting obligations assumed or served as price setting underwriter in an offering to the public that is not an offering of shares included in the TA 25 index, all in violation of the provisions of regulation 10 of the Underwriting Regulations.
 - (16) served as distributor without having met the requirements of regulation 23 of the Underwriting Regulations.

ON TRANSLITERATING SECTION NUMBERS

In most cases, transliterating the numeration of Law sections from Hebrew into English does not pose any problem. Numbers are numbers, and the transliteration of letters usually follows simple, almost self-evident rules: the Hebrew letter aleph is "a", bet is "b", and so forth. However, in a few Laws things are slightly more difficult, and the Securities Law belongs to that category..

When an amendment inserts a new section between two existing sections of a Law, a capital letter is attached to the number of the new section. Thus section "11א" (eleven aleph) is inserted between sections 11 and 12, and we transliterate that as "11A" – simple enough as long as there are only a few insertions.

Matters become more complicated when there are numerous insertions, as is the case with the Law translated in these pages. Amendment No. 45 of the Securities Law inserted no fewer than 68 sections between sections 52 and 53, designating them with numeral and letter combinations, from א'52 (52 Alef) to ה'52 (52 Samech Het). In Hebrew this is easily understandable, because each letter also has a definite numerical value. Since that is not true for the Latin alphabet, this system does not lend itself to a simple and direct transliteration.

To meet this problem we adopted the method introduced many years ago in *Laws of the State of Israel*, the yearbooks of translated primary legislation that the Ministry of Justice published until some time ago. The table on the following page illustrates that system. In Columns "a" of the table we transliterate the names of the Hebrew letters used in this context, in Columns "b" we show the numerical values of those letters and in column "c" the Latin capitals that we use to represent them

Thus the Hebrew section ל"ב52 (fifty-two lamed zayin) is represented in the translated text by "52KK", section ג'52 (fifty-two noon gimel) by 52AAA, and so forth.

TRANSLITERATION OF SECTION DESIGNATIONS
COMPOSED OF NUMERALS AND HEBREW LETTERS

"a"	"b"	"c"	"a"	"b"	"c"
Alef	1	A	Yod Alef	11	K
Bet	2	B	Yod Bet	12	L
Gimel	3	C	Yod Gimel	13	M
Daled	4	D	Yod Daled	14	N
Heh	5	E	Tet Vav	15	O
Vav	6	F	Tet Zayin	16	P
Zayin	7	G	Yod Zayin	17	Q
Het	8	H	Yod Het	18	R
Tet	9	I	Yod Tet	19	S
Yod	10	J	Kaf	20	T
Kaf Alef	21	U	Lamed Alef	31	EE
Kaf Bet	22	V	Lamed Bet	32	FF
Kaf Gimel	23	W	Lamed Gimel	33	GG
Kaf Daled	24	X	Lamed Daled	34	HH

Kaf Heh	25	Y	Lamed Hed ³⁴	II	
Kaf Vav	26	Z	Lamed Vav	35	JJ
Kaf Zayin	27	AA	Lamed Zayin	37	KK
Kaf Het	28	BB	Lamed Het	38	LL
Kaf Tet	29	CC	Lamed Tet	39	MM
Lamed	30	DD	Mem	40	NN
Mem Alef	41	OO	Noon Alef	51	YY
Mem Bet	42	PP	Noon Bet	52	ZZ
Mem Gimel	43	QQ	Noon Gimel	53	AAA
Mem Daled	44	RR	Noon Daled	54	BBB
Mem Heh	45	SS	Noon Heh	55	CCC
Mem Vav	46	TT	Noon Vav	56	DDD
Mem Zayin	47	UU	Noon Zayin	57	EEE
Mem Het	48	VV	Noon Het	58	FFF
Mem Tet	49	WW	Noon Tet	59	GGG
Noon	50	XX	Samech	60	HHH
Samech Alef	61	III			
Samech Bet	62	JJJ			
Samech Gimel	63	KKK			
Samech Daled	64	LLL			
Samech Heh	65	MMM			
Samech Vav	66	NNN			
Samech Zayin	67	OOO			
Samech Het	68	PPP			

etc., etc.

Column "a" the Hebrew letters, transliterated
 Column "b" the numerical equivalent of the Hebrew letters
 Column "c" the letters used to denote the translated section