

# **PROFILE OF DERIVATIVES**

**This is not an official translation and has no binding force.**

**Whilst reasonable care and skill have been exercised in the preparation hereof, no translation can ever perfectly reflect the original. In the event of any discrepancy between the original Hebrew and this translation, the Hebrew alone will prevail. The reader is therefore warned to take proper professional advice before acting further hereto, as neither The Tel-Aviv Stock Exchange Ltd. nor the translators assume any liability for accuracy hereof.**

## **PROFILE of Derivatives**

### **Table of Contents**

CHAPTER ONE - DEFINITIONS

CHAPTER TWO: GENERAL

CHAPTER THREE: DESCRIPTION OF THE OPTIONS AND OF THEIR CONDITIONS

CHAPTER FOUR: DESCRIPTION OF FUTURES AND OF THEIR CONDITIONS

CHAPTER FIVE: RISK FACTORS

CHAPTER SIX: TAXATION

CHAPTER SEVEN: TRADING IN DERIVATIVES

CHAPTER EIGHT: OPTION EXERCISE AND CLEARING

CHAPTER NINE: CLEARING FUTURES

CHAPTER TEN: MARGIN

CHAPTER ELEVEN: ADDITIONAL INFORMATION

OPTIONS ON THE TA-35 INDEX

(FORMERLY: TA-25 INDEX) – APPENDIX

FUTURES ON THE TA-35 INDEX

(FORMERLY: TA-25 INDEX) – APPENDIX

OPTIONS ON THE DOLLAR EXCHANGE RATE – APPENDIX

FUTURES ON THE DOLLAR EXCHANGE RATE – APPENDIX

FUTURES ON THE THREE-MONTH INTEREST RATE – APPENDIX

FUTURES ON THE CONSUMER PRICE INDEX – APPENDIX

OPTIONS ON THE TA-75 INDEX – APPENDIX - Repealed

FUTURES ON THE TA-75 INDEX – APPENDIX - Repealed

OPTIONS ON THE TA BANKS-5 INDEX – APPENDIX

FUTURES ON THE TA BANKS-5 INDEX – APPENDIX

OPTIONS ON THE TELTECH 15 INDEX – APPENDIX – Repealed

FUTURES ON THE TELTECH 15 INDEX – APPENDIX - Repealed

OPTIONS ON THE EURO EXCHANGE RATE – APPENDIX

FUTURES ON THE EURO EXCHANGE RATE – APPENDIX

STOCK OPTIONS – APPENDIX

OPTIONS ON NON-LINKED GOVERNMENT BONDS – APPENDIX

OPTIONS ON THE TA-125 INDEX – APPENDIX

FUTURES ON THE TA-125 INDEX – APPENDIX

# PROFILE of Derivatives

## Table of Contents

<b>Chapter</b>	<b>Page</b>
<b>Chapter One:</b> DEFINITIONS	2
<b>Chapter Two:</b> GENERAL	8
<b>Chapter Three:</b> DESCRIPTION OF THE OPTIONS AND OF THEIR CONDITIONS	10
<b>Chapter Four:</b> DESCRIPTION OF FUTURES AND OF THEIR CONDITIONS	12
<b>Chapter Five:</b> RISK FACTORS	17
<b>Chapter Six:</b> TAXATION	20
<b>Chapter Seven:</b> TRADING IN DERIVATIVES	21
<b>Chapter Eight:</b> OPTION EXERCISE AND CLEARING	26
<b>Chapter Nine:</b> CLEARING FUTURES	27
<b>Chapter Ten:</b> MARGIN	31
<b>Chapter Eleven:</b> ADDITIONAL INFORMATION	38
OPTIONS ON THE TA-35 INDEX (FORMERLY: TA-25 INDEX) - Appendix	39
FUTURES ON THE TA-35 INDEX (FORMERLY: TA-25 INDEX) - Appendix	45
OPTIONS ON THE DOLLAR EXCHANGE RATE - Appendix	50
FUTURES ON THE DOLLAR EXCHANGE RATE - Appendix	55
FUTURES ON THE THREE-MONTH INTEREST RATE - Appendix	59
FUTURES ON THE CONSUMER PRICE INDEX - Appendix	62
OPTIONS ON THE TA-75 INDEX – Appendix - Repealed	64
FUTURES ON THE TA-75 INDEX – Appendix - Repealed	65
OPTIONS ON THE TA BANKS-5 INDEX - Appendix	66
FUTURES ON THE TA-BANKS-5 INDEX - Appendix	71
OPTIONS ON THE TELTECH 15 INDEX – Appendix - Repealed	74
FUTURES ON THE TELTECH 15 INDEX – Appendix - Repealed	75

<b>Chapter</b>	<b>Page</b>
OPTIONS ON THE EURO EXCHANGE RATE – Appendix	76
FUTURES ON THE EURO EXCHANGE RATE - Appendix	80
EQUITY OPTIONS - Appendix	84
OPTIONS ON NON-LINKED GOVERNMENT BONDS - Appendix	104
OPTIONS ON THE TA-125 INDEX - Appendix	111
FUTURES ON THE TA-125 INDEX - Appendix	116

# **THE MAOF Clearing House LTD.**

## **PROFILE**

### **DERIVATIVES**

This Profile and the Appendices attached to it - which constitute an integral part thereof - relate to the derivatives written by the MAOF Clearing House Ltd. (hereinafter: "MAOF" or "Clearing House") and traded on the Tel Aviv Stock Exchange (hereinafter: "TASE").

The Profile and the Appendices attached to it include only a general description of the conditions and provisions that apply to the derivatives, their creation, holding, trade in them, and their exercise and expiration. More detailed descriptions will be found in the Charter and By-laws of the Clearing House, as well as in the Rules of TASE and in the Regulations there under, which regulate trading in derivatives. These documents may be viewed in TASE website - [www.tase.co.il](http://www.tase.co.il).

The Profile includes a general part, which contains the general conditions, and provisions that apply to the derivatives, as well as Appendices that - as aforesaid - are part of the Profile and cover the different derivatives.

**The writing, purchase and sale of derivatives (hereinafter - "investing in derivatives") is liable to involve a very high degree of risk. Consequently investing in derivatives is suitable only for investors with all the information and the knowhow on all aspects of derivatives and on the risks investing in them involves.**

**The Profile and the Appendices attached to it include a full description of the main risks involved in the investment in derivatives; however, they do not claim to deal exhaustively with all the risks involved in various situations and forms of investment, but only with part thereof. Any person who considers an investment in derivatives should get the advice of appropriate professionals (see Chapter 5 below).**

**The profile and its attachments are liable to be changed from time to time, in accordance with decisions by the Board of Directors of TASE and of the Board of Directors of the MAOF Clearing House, as the case may be. Such changes will be brought to the public's attention in the manner prescribed in the Profile**

Under section 21 of the Securities Law, this Profile and the Appendices attached to it do not require a permit from the Securities Authority for the publication of a prospectus. The registration of derivatives for trading does not require approval by TASE under Part Two of TASE Rules, which deals with the registration of securities for trading.

Rules for the registration of derivatives for trading are regulated under Part Three and Part Seven of TASE Rules, and under section 52 of the Securities Law 5728-1968.

This Profile and the Appendices attached to it have not been approved by the Securities Authority and by TASE, who express no opinion on the particulars here presented in it and in respect of the quality of the derivatives.

Date: **August 2007**

<p>This English version is an unofficial translation of the official Hebrew version and has no binding force. The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).</p>
--

## **THE MAOF Clearing House LTD.**

A company limited by shares, registered in Israel under the Companies Ordinance  
(New Version) 5743-1983

### **CHAPTER ONE - DEFINITIONS**

In this Profile and in the Appendices attached to it -

<b>Terms</b>	<b>Definitions</b>
"Option"	- A call option or a put option;
"Put option" or "PUT"	- A security as its meaning in Section 52 of the Securities Law, issued under this profile, for which the MAOF Clearing House undertakes a commitment to a MAOF Clearing House member and a MAOF Clearing House member undertakes a commitment to the MAOF Clearing House to pay one of the following, as applicable: <ul style="list-style-type: none"> <li>- Immediately following the completion of a transaction – the premium;</li> <li>- Immediately following the execution date, the difference between the exercise price and the reference price multiplied by the contract multiplier, if the exercise price is greater than the reference price.</li> </ul>
"Call option" or "CALL"	- A security as its meaning in Section 52 of the Securities Law, issued under this profile, for which the MAOF Clearing House undertakes a commitment to a MAOF Clearing House member and a MAOF Clearing House member undertakes a commitment to the MAOF Clearing House to pay one of the following, as applicable: <ul style="list-style-type: none"> <li>- Immediately following the completion of a transaction – the premium;</li> <li>- Immediately following the execution date, the difference between the reference price and the exercise price multiplied by the contract multiplier, if the reference price is greater than the exercise price.</li> </ul>
"Board of Directors"	- The Board of Directors of the MAOF Clearing House or a Board of Directors committee authorized by it;
"TASE"	- The Tel Aviv Stock Exchange Ltd.;

This English version is an unofficial translation of the official Hebrew version and has no binding force.  
The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- "The Clearing House" or the "MAOF Clearing House" - The company that clears transactions in options and futures, the number of which with the Registrar of Companies is 51-112258-2;
- "Member" - A member of the MAOF Clearing House;
- "NCHM" - A Stock Exchange member that is not a member of the MAOF Clearing House
- "Member that writes an option" - A member to which an option registered in the MAOF Clearing House is charged, that has undertaken a commitment, as set by the terms of the option;
- "Member that holds an option" - A member to whose credit an option is registered with the MAOF Clearing House;
- "Member that holds a future" - A member that has a long future or a short future with the MAOF Clearing House and who accepts the obligation toward the MAOF Clearing House to comply with its undertaking under the future, or there is a undertaking of the MAOF Clearing House toward it, as prescribed in the conditions of the future;
- "Future" a. A security within its meaning in section 52 of the Securities Law, according to which the MAOF Clearing House assumes an obligation under this Profile toward a MAOF Clearing House member, to pay at the end of each trading day and on the expiration date, and according to which a MAOF Clearing House member assumes an obligation toward the MAOF Clearing House to pay it at the end of each trading day and on the expiration date one of the following, as the case may be:
- 1) The differential between the settlement price and the transaction price, if the settlement price is greater than the transaction price; in respect of futures, in which a fluctuation multiplier is defined, the amount of the said differential shall be multiplied by 100 times the fluctuation multiplier;
  - 2) The differential between the transaction price and the settlement price, if the transaction price is greater than the settlement price; in respect of futures, in which a fluctuation multiplier is defined, the amount of the said differential shall be multiplied by 100 times the fluctuation multiplier;
  - 3) The differential between the settlement price and the settlement price on the preceding trading day, if the settlement price is greater than the settlement price on the preceding trading day; in respect of futures, in which a fluctuation multiplier is defined, the amount of the said differential shall be multiplied by 100 times the fluctuation multiplier;

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- 4) The differential between the settlement price on the preceding trading day and the settlement price, if the settlement price on the preceding trading day was greater than the settlement price; in respect of futures, in which a fluctuation multiplier is defined, the amount of the said differential shall be multiplied by 100 times the fluctuation multiplier;
- b. In respect of futures on hypothetical bond, "future" means a security within its meaning in section 52 of the Securities Law, according to which the MAOF Clearing House assumes an obligation toward the MAOF Clearing House member under this Profile, to pay him at the end of every trading day – except for the delivery date – and the MAOF Clearing House member assumes an obligation toward the MAOF Clearing House to pay it at the end of every trading day – except for the delivery date – the amount of differential specified in subsections a.1), a.2.), a.3.) or a.4) above, as the case may be.

In respect of the delivery date, the MAOF Clearing House assumes an obligation toward the MAOF Clearing House member and the MAOF Clearing House member assumes an obligation toward the MAOF Clearing House that one of the following shall apply, as the case may be:

- 1) A MAOF Clearing House member that holds a balance of short futures assumes the obligation toward the MAOF Clearing House to transfer bonds to it on the delivery date, in accordance with the Appendix to the Profile about futures on conceptual long term bonds (hereafter: "Long Term Appendix") or in accordance with the Appendix to the Profile about futures on medium term bonds (hereafter: "Medium Term Appendix"), as the case may be.
- 2) The MAOF Clearing House assumes an obligation toward the said MAOF Clearing House member – subject to receiving the bonds from the MAOF Clearing House member that holds a balance of short futures, as specified in subsection 1) above – to pay him an amount of money on the delivery date, and that in accordance with the provisions of the Medium Term Appendix or the Long Term Appendix, as the case may be.
- 3) A MAOF Clearing House member that holds a balance of long futures assumes the obligation toward to pay the MAOF Clearing House an amount of money on the delivery date, and that in accordance with the provisions of the Medium Term Appendix or the Long Term Appendix, as the case may be.
- 4) Subject to the MAOF Clearing House member that holds a balance of long futures paying an amount of money to the MAOF Clearing House, as specified in subsection 3) above, and subject to the MAOF Clearing House member that holds a balance of long futures transferring the bonds on the delivery date, as specified in subsection 1) above, the MAOF Clearing House assumes an obligation toward the said MAOF Clearing House member to transfer bonds to him on the delivery date in accordance with the provisions of the Medium Term Appendix or the Long Term Appendix, as the case may be.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).



<b>Terms</b>	<b>Definitions</b>
"The By-laws"	- The By-laws of the MAOF Clearing House and every change that will be made in them from time to time by the Board of Directors;
"Trading day"	- A day on which trading is carried on TASE;
"Business day"	- A day on which clearing is carried out at the Bank of Israel;
"Foreign currency bonds unit"	- A bundle of bonds linked to a certain foreign currency, the NIS value of which is the product of the exchange rate of the certain foreign currency, multiplied by the underlying asset multiplier of the derivative;
"Basket index unit"	- A bundle of securities that includes all the securities that compose the index basket, the NIS value of which is the product of the closing index of the basket, multiplied by the underlying asset multiplier of the derivative;  The quantity of each of the securities included in the basket index unit shall be a quantity of which the NIS value is the product of the value of the aforesaid basket, multiplied by the weight of that security in the basket index;
"Basket index"	- The index of a basket of securities, calculated and published by TASE.
"Exercise index" or "expiration index"	- However, if trading with all the shares included in the index did not take place on TASE on the day that was supposed to be the last trading day of the series of options and of the series of futures, then the closing index that will be closed on the next trading day after the day that was to have been the last trading day of the series of options and of the series of futures, as the case may be, shall be the exercise index and the expiration index.  For the purposes of this section – "last trading day of the series of options and of the series of futures" – the trading day before the day on which the exercise index and the expiration index, as the case may be, is closed.
"Closing index price"	- An index calculated on each trading day according to the closing prices of the shares included in the index basket, except where TASE Rules or Regulations there under make a different provision.
"Exercise price"	- The price set in the option for the underlying asset;

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

<b>Terms</b>	<b>Definitions</b>
"Underlying asset multiplier"	- The number of times the underlying asset is included in a derivative, as prescribed in the Appendix of the Profile dedicated to the derivative;
"Stock Exchange Clearing House"	- The Tel Aviv Stock Exchange Clearing House Ltd.
"Fluctuation multiplier in a future"	- A NIS amount closed in the Appendix of the Profile dedicated to the derivative;
"Derivatives"	- Options and futures that are cleared through the MAOF Clearing House;
"Underlying asset"	- The price of a security, a securities basket index, an exchange rate, an interest rate, a price index or some other asset that will be designated in Part Seven of TASE Rules or in Regulations there under or in Temporary Regulations;
"Percentage point"	- One one hundredth;
"Option series"	- Options with the same underlying asset and the same exercise date;
"Futures series"	- Futures with the same underlying asset and the same expiration date;
"Positive differential of an option"	- In respect of a call option - the amount obtained by multiplying the underlying asset multiplier by the differential between the settlement price and the exercise price, on condition that the settlement price is greater than the exercise price;  In respect of a put option - the amount obtained by multiplying the underlying asset multiplier by the differential between the exercise price and the settlement price, on condition that the exercise price is greater than the settlement price;
"Securities basket" or "basket"	- A group of securities traded on TASE, in respect of which TASE will calculate and publish an index;
"Bonds basket"	- A basket of long term bonds, as defined in the Appendix to the Profile about futures on hypothetical long term hypothetical bond, or a basket of medium term bonds, as defined in the Appendix to the Profile about futures on hypothetical medium term bonds, as the case may be;

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

<b>Terms</b>	<b>Definitions</b>
"Derivatives transactions"	- Transactions in options and futures that are cleared by the MAOF Clearing House, and the monetary obligations that derive there from;
"Client's open option position"	- A client's short or long balance in respect of any option;
"Client's open future position"	- A client's short or long balance in respect of any future;
"Client's open position"	- A client's open option position and a client's open future position;
"Premium"	- The sum paid by the buyer of an option.
"Exercise date"	- The date prescribed in the Appendix to the Profile for option exercise;
"Delivery date"	- The business day after the expiration date;
"Expiration date"	- The date prescribed in the Appendix to the Profile for expiration of a future;
"Conditions of the option or the future"	- The rights and obligations connected to an option or a future, as prescribed in the By-laws, in TASE Rules and the Regulations there under, in the Profile and in the Appendices to the Profile, under which the option or the future was written, and in any other document prescribed in them.
"Non-linked government bond"	- A bond of the Shahar category or a Government bond.
"Hypothetical debenture"	- A hypothetical long term debenture, as defined in the Appendix to the Profile about futures on hypothetical long term bond, or a hypothetical medium term debenture, as defined in the Appendix to the Profile about futures on hypothetical medium term bonds, as the case may be.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

## **CHAPTER TWO: GENERAL**

- 2.1 The Clearing House is organized as a company in Israel and is wholly owned by TASE. TASE is a body corporate, which under the Securities Law 5728-1968 holds the license to operate a securities exchange in Israel. It is under the supervision of the Securities Authority.
- 2.2 The main occupation of the Clearing House is the writing of derivatives, the provision of means for the clearing of transactions in derivatives and their exercise; it also provides related services to members of the Clearing House and to the trade in derivatives.
- 2.3 The Clearing House conducts its business in TASE building, at Ahad Ha'am Street 54, Tel Aviv.
- 2.4 Members of the Clearing House are Stock Exchange members, who meet the qualifications to be Clearing House members and whose application to that effect was approved by the Board of Directors of the Clearing House. Clearing House members are responsible to the Clearing House for every monetary obligation that stems from transactions in derivatives on TASE, including the obligations of members who write and hold futures.
- 2.5 The writing of derivatives and transactions in them can be carried out only by Clearing House members, or on a Clearing House member's responsibility by Stock Exchange members who are not Clearing House members (NCHM); in order to remove any doubt it is here clearly stated that all transactions carried out as aforesaid by NCHMs – whether on their own account or for their clients - shall, for all intents and purposes, be treated like transactions to which the Clearing House member is a party.
- 2.6 The first time a client wishes to carry out a transaction in derivatives, he must give the Clearing House a waiver of the confidentiality of his accounts, to the extent that that is necessary for the fulfillment of the Clearing House member's obligations toward the Clearing House.
- 2.7 In order to remove any doubt, it is clearly stated that the obligations - of any kind and on any grounds whatsoever - of the Clearing House toward its members are not contracts for the benefit of any third party and they do not endow any client of a Clearing House member or of a Stock Exchange member or any third person whatsoever with any right whatsoever, including - but without derogating from the generality of the aforesaid - the right to demand that those obligations be honored.
- 2.8 The MAOF Clearing House By-laws constitute a framework agreement between the Clearing House and each of the Clearing House members, which regulates the performance of all transactions with derivatives to which the member is a party, whether for his own account (nostro) or for his clients, including the NCHMs for whose transactions the member is responsible and the clients of those NCHMs;  
  
For this purpose, "framework agreement" – within the meaning of that term in the Agreements about Financial Assets Law 5766-2006 (hereafter: "framework agreement").
- 2.9 In order to remove any doubt, it is clearly stated that the MAOF Clearing House By-laws constitute a separate framework agreement between the Clearing House and each of the members, which regulates the performance of all derivatives transactions to which the

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

member is a party, as specified in section 2.8 above, and also all of the member's obligations, within the meaning of the term in Chapter Ten below.

- 2.10 It is clearly stated that nothing in the provisions of this Chapter in respect of NCHMs derogates from any obligation whatsoever of a Clearing House member toward the Clearing House in connection with the performance of derivatives transactions by an NCHM, for whose transactions the Clearing House member is responsible, and the performance of said derivatives transactions shall, for all intents and purposes, be treated like the performance of derivatives transactions to which the Clearing House member is a party.

## **CHAPTER THREE: DESCRIPTION OF THE OPTIONS AND OF THEIR CONDITIONS**

### 3.1 General

3.1.1 The general conditions that apply to options are specified in this Chapter; the special conditions for each category of options are specified in the Appendices to this Profile.

3.1.2 The options are registered for trading on TASE when they are written by the Clearing House, and they give their holders the right to receive - immediately after the exercise date - the amount of the positive differential, and they obligate whoever wrote the option to pay the amount of the positive differential.

### 3.2 Writing and issuing an option

3.2.1 An option shall be deemed to have been written by the Clearing House and registered for trading when it has been reported to the Clearing House, as required, that a transaction was concluded in the course of trading on TASE, according to which a Stock Exchange member undertook to write an option for a client or for itself, and a Stock Exchange member agreed to buy it for a client or for itself, at a price agreed between those Stock Exchange members.

3.2.2 An option is listed for trading from the time when it was written as said in section 3.2.1 above and until its exercise date.

3.2.3 The Clearing House member who created the option and the Clearing House member who holds the option are the parties to the obligation and the right under the option vis-a-vis the Clearing House.

3.2.4 No certificates shall be written in respect of options.

The client is entitled to receive certification of the transaction he performed with an option from the member, through which he performed it.

### 3.3 Underlying asset

The underlying asset of an option is prescribed in the Appendix to this Profile, which applies to that option (hereinafter: "the Appendix").

### 3.4 Option series

3.4.1 An option series shall include call options and put options at exercise prices specified in section 3.5 below.

3.4.2 The term of an option series is as is prescribed in the Appendix.

3.4.3 An option series shall include the options written during the term of the series, and there is no limit on the maximum number of options that may be written within every option series in the course of its term.

3.4.4 A new option series shall start after a certain period, as prescribed in the Appendix.

However, the Board of Directors may determine that no new option series be started within a certain period, which it will determine.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

3.4.5 The exercise date of options of the same series is prescribed in the Appendix.

3.4.6 The settlement price of an option is determined in the Appendix.

3.4.7 The date for opening a new option series is determined in the Appendix.

### 3.5 Exercise price

3.5.1 The exercise prices of options of the same option series shall be determined at the end of the trading day before the beginning of the term of the option series, but additional exercise prices may be determined in the course of the term of the options, as specified in the Appendix.

3.5.2 An option series shall include a number of call options and a number of put options at different exercise prices, as prescribed in the Appendix.

3.5.3 In addition to the provisions of section 3.5.1 above, the Manager of the MAOF Clearing House has the right to determine additional exercise prices during the period of the options in the following cases:

3.5.3.1 If the abovementioned manager is of the opinion that market conditions necessitate it.

3.5.3.2 If TASE receives written request from a member to determine additional exercise prices, and only if the Manager of the MAOF Clearing House was convinced that the determination of additional exercise prices will not harm the fair and proper trading management.

### 3.6 Daily reporting

At the end of each trading day a Clearing House member shall report to the Clearing House the balance of each client (including nostro) in respect of each option separately.

3.7 The Board of Directors may determine that - as of a certain date determined by it, the issue of new option series on an underlying asset designated by it will be discontinued, and it may also determine that, from a certain date, existing series of options on an underlying asset that it will designate, on which there is no open interest, shall be cancelled.

In addition to the aforesaid and without derogating from the aforesaid, twice a year, by the end of the calendar month following the month of the rebalancing of the TA-125 index ("Rebalancing date"), the share serving as an underlying asset of stocks options shall be vetted for its constituency in TA-125 Index and for its adherence, at the rebalancing date, to sub sections 2) and 3) of sub paragraph 6.a. in Chapter B of the Regulations to the Seventh Part of the Rules in the three calendar months preceding the aforementioned rebalance date.

Should the vetting demonstrate that a share, which is the underlying asset of an option, does not adhere to at least one of the conditions above, the Maof Clearing House shall cease to issue options on that share.

For the purposes of this section—

"TA-125 Index rebalancing date" – the Universe Update date, as stipulated in the Regulations under the Seventh Part of the Rules.

## **CHAPTER FOUR: DESCRIPTION OF FUTURES AND OF THEIR CONDITIONS**

### 4.1 General

- 4.1.1 The general conditions that apply to futures are specified in this Chapter; the special conditions for each category of futures are specified in the Appendices to this Profile.
- 4.1.2 The futures are registered for trading on TASE when they are written by the Clearing House in accordance with this Profile, and they give their holders the right to receive at the end of each trading day and on the expiration date, or the obligation to pay at the end of each trading day and on the expiration date, as the case may be:
- 4.1.2.1 The differential between the settlement price and the transaction price, if the settlement price is higher than the transaction price;  
in the case of futures, for which a fluctuation multiplier was defined, the said differential shall be multiplied by one hundred times the fluctuation multiplier;
- 4.1.2.2 The differential between the transaction price and the settlement price, if the transaction price is higher than the settlement price;  
in the case of futures, for which a fluctuation multiplier was defined, the said differential shall be multiplied by one hundred times the fluctuation multiplier;
- 4.1.2.3 the differential between the settlement price and the settlement price on the preceding day, if the settlement price is higher than the settlement price on the preceding day; in the case of futures, for which a fluctuation multiplier was defined, the said differential shall be multiplied by one hundred times the fluctuation multiplier;
- 4.1.2.4 The differential between the settlement price on the preceding day and the settlement price, if the settlement price on the preceding day was higher than the settlement price; in the case of futures, for which a fluctuation multiplier was defined, the said differential shall be multiplied by one hundred times the fluctuation multiplier.
- 4.1.3 When futures on hypothetical bond are introduced under this Profile, they are listed for trading on TASE and they vest in their holders a right to receive or an obligation to pay – at the end of each trading day other than the delivery date – the amounts specified in the above sections 4.1.2.1, 4.1.2.2, 4.1.2.3 or 4.1.2.4, as the case may be;  
On the delivery date the futures on hypothetical bond vest in their holders the rights and obligations specified below, as the case may be:
- 4.1.3.1 The holder of a short future must deliver bonds in accordance with the provisions of the Long Term Appendix or the Medium Term Appendix, as the case may be.
- 4.1.3.2 Subject to the delivery of the bonds, as said in subsection 4.1.3.1 above, the holder of a short future is entitled to receive an amount of money, and that in

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).



accordance with the provisions of the Long Term Appendix or the Medium Term Appendix, as the case may be.

4.1.3.3 The holder of a long future must pay an amount of money in accordance with the provisions of the Long Term Appendix or the Medium Term Appendix, as the case may be.

4.1.3.4 Subject to the payment said in the above subsection 4.1.3.3 and subject to the holder of the short future delivering the bonds said in subsection 4.1.3.1 above, the holder of the long future is entitled to receive bonds of the kind included in the bonds basket, and that in accordance with the provisions of the Long Term Appendix or the Medium Term Appendix, as the case may be.

#### 4.2 Writing and issuing a future

4.2.1 A future shall be deemed to have been written by the Clearing House and registered for trading when the Clearing House has received a report, as required, that a transaction was concluded in the course of trading on TASE, according to which a Stock Exchange member undertook to write a future for a client or for itself, and a Stock Exchange member agreed to enter into a transaction in it for a client or for itself, at the transaction price.

4.2.2 A future is listed for trading from the time when it was written as said in section 4.2.1 above and until its expiration date.

4.2.3 The Clearing House members who hold the future are the parties to the future vis-a-vis the Clearing House.

4.2.4 No certificates shall be introduced in respect of the written futures.

The client is entitled to receive - from the member through which he performed them - certification of the transactions he performed in futures.

#### 4.3 The underlying asset

The underlying asset of a future is prescribed in the Appendix of the Profile, which applies to that future (hereinafter: "the Appendix").

#### 4.4 Futures series

4.4.1 A futures series shall include futures with the same expiration date.

4.4.2 The term of a future series is as is prescribed in the Appendix.

4.4.3 A futures series shall include the futures written during the term of the series, and there is no limit on the maximum number of futures that may be written within every futures series in the course of its term.

4.4.4 The term of a new future series shall commence periodically, as prescribed in the Appendix.

However, the Board of Directors may prescribe that no new futures series be started within a certain period, which it will determine.

4.4.5 The expiration date of futures of the same series is prescribed in the Appendix.

4.4.6 The time for starting new futures series is prescribed in the Appendix.

#### 4.5 Daily reporting

At the end of each trading day the Clearing House member shall report to the Clearing House the balances of each client (including nostro) in respect of each futures series separately.

#### 4.6 Debits and credits in respect of futures

4.6.1 In respect of a future, for which no fluctuation multiplier was set, the following shall apply at the end of each trading day and on the expiration date:

- 4.6.1.1 Whoever bought a future on that day shall be credited in respect of every future he bought with the differential between the settlement price and the transaction price, if the settlement price is higher than the transaction price;
- 4.6.1.2 Whoever sold a future on that day shall be credited in respect of every future he sold with the differential between the transaction price and the settlement price, if the transaction price is higher than the settlement price;
- 4.6.1.3 Whoever holds a balance of long futures from the preceding trading day shall be credited in respect of every future with the differential between the settlement price and the settlement price on the preceding trading day, if the settlement price is higher than the settlement price on the preceding trading day;
- 4.6.1.4 Whoever holds a balance of short futures from the preceding trading day shall be credited for every future with the differential between the settlement price on the preceding trading day and the settlement price, if the settlement price on the preceding trading day was higher than the settlement price;
- 4.6.1.5 Whoever bought a future on that day shall be debited for every future bought on that day with the differential between the transaction price and the settlement price, if the transaction price is higher than the settlement price;
- 4.6.1.6 Whoever sold a future on that day shall be debited for every future sold with the differential between the settlement price and the transaction price, if the settlement price is higher than the transaction price;
- 4.6.1.7 Whoever holds a balance of long futures from the preceding trading day shall be debited for every future with the differential between the settlement price on the preceding trading day and the settlement price, if the settlement price on the preceding trading day was higher than the settlement price;
- 4.6.1.8 Whoever holds a balance of short futures from the preceding trading day shall be debited for every future with the differential between the settlement price and the settlement price on the preceding trading day, if the settlement price is higher than the settlement price on the preceding trading day;

4.6.2 In respect of a future, for which a fluctuation multiplier was set, the following shall apply at the end of each trading day and on the expiration date:

- 4.6.2.1 Whoever bought a future on that day shall be credited in respect of every future he bought with the differential between the settlement price and the

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

transaction price, multiplied by one hundred times the fluctuation multiplier, if the settlement price is higher than the transaction price;

- 4.6.2.2 Whoever sold a future on that day shall be credited in respect of every future sold with the differential between the transaction price and the settlement price, multiplied by one hundred times the fluctuation multiplier, if the transaction price is higher than the settlement price;
- 4.6.2.3 Whoever holds a balance of long futures from the preceding trading day shall be credited in respect of every future with the differential between the settlement price and the settlement price on the preceding trading day, multiplied by one hundred times the fluctuation multiplier, if the settlement price is higher than the settlement price on the preceding trading day;
- 4.6.2.4 Whoever holds a balance of short futures from the preceding trading day shall be credited for every future with the differential between the settlement price on the preceding trading day and the settlement price, multiplied by one hundred times the fluctuation multiplier, if the settlement price on the preceding trading day was higher than the settlement price;
- 4.6.2.5 Whoever bought a future on that day shall be debited for every future bought on that day with the differential between the transaction price and the settlement price, multiplied by one hundred times the fluctuation multiplier, if the transaction price is higher than the settlement price;
- 4.6.2.6 Whoever sold a future on that day shall be debited for every future sold with the differential between the settlement price and the transaction price, multiplied by one hundred times the fluctuation multiplier, if the settlement price is higher than the transaction price;
- 4.6.2.7 Whoever holds a balance of long futures from the preceding trading day shall be debited for every future with the differential between the settlement price on the preceding trading day and the settlement price, multiplied by one hundred times the fluctuation multiplier, if the settlement price on the preceding trading day was higher than the settlement price;
- 4.6.2.8 Whoever holds a balance of short futures from the preceding trading day shall be debited for every future with the differential between the settlement price and the settlement price on the preceding trading day, multiplied by one hundred times the fluctuation multiplier, if the settlement price is higher than the settlement price on the preceding trading day.
- 4.6.3 The provisions of section 4.6.1 shall apply to futures on hypothetical bond at the end of every trading day, other than the delivery date. The following shall apply on the delivery date:
- 4.6.3.1 Whoever holds a balance of short futures shall deliver bonds, and that in accordance with the provisions of the Long Term Appendix or the Medium Term Appendix, as the case may be.
- 4.6.3.2 Whoever holds a balance of short futures shall have an amount of money credited to him, subject to delivery of the bonds as said in the above

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

subsection 4.6.3.1, all in accordance with the provisions of the Long Term Appendix or the Medium Term Appendix, as the case may be.

4.6.3.3 Whoever holds a balance of long futures shall have an amount of money debited against him, and that in accordance with the provisions of the Long Term Appendix or the Medium Term Appendix, as the case may be.

4.6.3.4 Whoever holds a balance of long futures shall receive bonds, subject to the payment of the amount of money that is specified in the above subsection 4.6.3.3, and subject to whoever holds a balance of short futures delivering bonds as said in the above subsection 4.6.3.1, all in accordance with the provisions of the Long Term Appendix or the Medium Term Appendix, as the case may be.

4.7 The Board of Directors may prescribe that, beginning with a date it will determine, no new futures series shall be started on an underlying asset which it shall designate, and it may also determine that – as of a certain date – existing series of futures on an underlying asset that it shall designate and for which there are no open positions shall be canceled.

## CHAPTER FIVE: RISK FACTORS

An investment in derivatives is liable to involve a very high degree of risk. Consequently investing in derivatives is suitable only for investors who have all the information and knowhow about every aspect of derivatives and about the risks that investing in them involves.

This Chapter presents a general description of the most important risks involved in an investment in derivatives. This description does not propose to cover all the risks connected with different situations and different forms of investing, but only a small part of them.

An investor who weighs an investment in derivatives should consult a suitable professional.

In addition to the aforesaid, the risks involved in investing in derivatives include - inter alia - the following:

- 5.1 The holder of a future is liable to be exposed to unlimited risk;
- 5.2 Because of the way futures are cleared, the holder of a future is liable to find that his account is daily debited with large sums of money;
- 5.3 The purchaser of an option is liable to lose the entire amount of his investment, and the writer of an option is liable to be exposed to unlimited risk;
- 5.4 An investment in derivatives requires the provision of margin; the amount of margin is subject to unforeseeable changes; the investor is liable to be faced with a demand for a significant amount of additional margin on extremely short notice;
- 5.5 It is difficult to cover the risks of an investment in derivatives;
- 5.6 Problems of the negotiability of a series of a certain derivative or on the derivatives market in its entirety may create a situation, in which the investor is not able to "close" his open positions;
- 5.7 The Stock Exchange and the MAOF Clearing House are, from time to time, liable to impose restrictions on trading, clearing or other activities connected to transactions in derivatives;
- 5.8 Repealed.;
- 5.9 The Clearing House has the right to stop providing services to a Clearing House member, and a Clearing House member who clears for a Stock Exchange member has the right to stop providing services to TASE member who clears through it, and that even while trading on TASE is in progress.
- 5.10 The Clearing House has the right to set off a Clearing House member's debit balance against any credit balance it may have with the Clearing House; furthermore, the Clearing House holds a lien on the assets due to the member from it, which includes the right to exercise the retained assets in order to pay any obligation by the member to it;
- 5.11 The responsibility of the Clearing House for payment of the amount of a positive differential to the holder of an option lapses when the account of the holding member has been credited with the amount of the positive differential; the Clearing House is not responsible in any way for the member's obligations toward its clients;
- 5.12 The responsibility of the Clearing House for payment to the holder of a future lapses when the account of the member that holds the future has been credited by the Clearing House;

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

the Clearing House is not responsible in any way for the member's obligations toward its clients;

- 5.13 The responsibility of the Clearing House for payment in respect of a future or of the exercise of an option, as the case may be, applies only if the MAOF Clearing House member reported the client's future to the MAOF Clearing House, as required by section 4.5, or the client's option, as required by section 3.6;
- 5.14 The amounts of collateral given to the MAOF Clearing House are determined in accordance with scenarios and assumptions prescribed in advance, when there is no certainty that they will actually occur; the capital of the MAOF Clearing House is small in comparison to its obligations and the ability of the MAOF Clearing House to honor the exercise of derivatives largely depends on the ability of its members to meet their obligations, on the validity of the collateral it received and on the manner in which it is exercised, taking into account the limitations of present day law, and also by the consideration that will be received from the exercise of the collateral;
- 5.15 The costs involved in transactions in derivatives are an element in the risk of investing in derivatives; those costs include the fees, the premium and the cost of the margin which investors in derivatives must provide;
- 5.16 In respect of derivatives that are not only cleared by monetary accounting, but also by the delivery of actual assets, as prescribed by the Appendix to the Profile for the said derivative, there is the possibility that on the date on which the said assets should be delivered to the holder of the derivative the assets will not be delivered to him, if one or several of the holders of the derivative who must deliver the assets will not meet their obligation. In such an instance it is possible that the assets will not be delivered at all and that instead the matter will be settled by a monetary accounting.
- 5.17 The MAOF Clearing House does not carry insurance that covers any losses liable to be caused to it.
- 5.18 5.18.1 The MAOF Clearing House By-laws constitute a separate framework agreement between the MAOF Clearing House and each of the MAOF Clearing House members, which regulates all transactions with options or futures to which the Clearing House member is a party, whether for his own account (nostro) or for his clients, including any NCHM for whose transactions the member is responsible and the clients of that NCHM (all these hereafter: "clients").
- 5.18.2 Should certain conditions occur, including a suspicion that a MAOF Clearing House member will not be able to meet his obligations or any part thereof, then the MAOF Clearing House has the right to bring all the MAOF transactions (options and futures) to which the Clearing House member is party to an early conclusion, including all MAOF transactions carried out for his clients.

The aforesaid early conclusion of MAOF transactions may be carried out by the MAOF Clearing House, either by way of dissolving transactions or by way of making changes in or closing the member's open positions, including open positions for his clients; to that end, but without derogating from the generality of the aforesaid, the MAOF Clearing House may – inter alia – sell or transfer options

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

or futures out of the member's account, whether his own (nostro) or his clients', or it may buy options or futures for the member's account.

- 5.18.3 The following provisions shall apply when all the MAOF transactions to which a Clearing House member is party – including MAOF transactions performed for his clients - have been brought to an early conclusion, as aforesaid: the value of the obligations or of the rights of one party (the member or the MAOF Clearing House, as the case may be) toward the other party (the MAOF Clearing House or the member, as the case may be) shall be the value of his obligations or right, less the obligations or rights of the other party. The value of the obligations and rights of the Clearing House member and of the MAOF Clearing House at the time of the early conclusion shall be calculated according to closing price at the time when the calculation is made (hereafter: "date of calculation") of the options or of the futures, as the case may be, to which the member is a party; if, on the date of the calculation, trading does not take place with any options or futures, then the calculation shall be made according to the closing price that was last determined before the date of the calculation, or by ways of assessing the value of the said options or futures, as the case may be, for calculation of the margin given by members to the benefit of the MAOF Clearing House, as specified in Chapter Eight of the By-laws, as shall be decided for this purpose by the MAOF Clearing House.

Additional particulars on risk factors specified above, as well as additional risk factors are specified below in this Profile and in its attachments.

## **CHAPTER SIX: TAXATION**

- 6.1 On July 24, 2002, the Knesset adopted the Income Tax Amendment (No. 132) Law 5762-2002 (hereinafter: "the Law"). The Law provides, inter alia, that the tax rate of capital gains from futures traded on a Stock Exchange or on an organized market, earned by an individual or a body corporate to the determination of whose income the provisions of section 6 of the Income Tax Law (Inflationary Adjustments) 5745-1985 (hereinafter: "the Adjustments Law") or the provisions of section 130A of the Income Tax Ordinance (New Version) do not apply, shall not exceed 15%, subject to the conditions prescribed in the Law. The Law went into effect on January 1, 2003.

A company and an individual, to the determination of whose income the provisions of section 6 of the Adjustments Law do apply, are liable to tax at the rate of 36% or at the marginal tax rate, as the case may be, on real gains from futures transactions, as prescribed in section 6 of the Adjustments Law.

A real loss from futures transactions may be set off against real gains from securities traded on a Stock Exchange or on an organized market, including futures transactions, all as prescribed in section 6 of the Adjustments Law.

Income Tax Regulations (Deduction from the Consideration, Payment or Capital Gain from the Sale of a Security or from a Futures Transaction) 5763-2002 provide for the mandatory deduction at the source from payments in connection with transactions in futures traded on TASE. In tax year 2003 the rate of tax deduction at the source will be as follows:

- 6.1.1 On payments made from January through June - deduction at the source of 0.5% of the payment;
- 6.1.2 On payments made in the remainder of 2003 - deduction at the source of 5% of the payment;

Beginning with tax year 2004 - or earlier if the payor is able to do so and has approval therefor from the Income Tax Commissioner - tax will be deducted at the rate of 15% of the real capital gain from a futures transaction traded on a Stock Exchange.

- 6.2 The above explanation is very general and it does not propose to present a complete and detailed picture of the tax liability in connection with investments in and transactions in futures. An investor who weighs an investment in derivatives or transactions in them should consult tax experts on the tax implications of such acts.



## **CHAPTER SEVEN: TRADING IN DERIVATIVES**

### 7.1 Listed for trading

A derivative is listed for trading from the time when it is written by the Clearing House and until its expiration or exercise date, as the case may be.

### 7.2 Trading unit

The trading unit is one future or one option, as the case may be.

### 7.3 Trading method

7.3.1 Derivatives are traded by the continuous method. Continuous trading is carried out continuously and is computerized. The provisions on trading in derivatives, which are prescribed in TASE Rules and in Regulations there under - or in temporary Regulations, to the extent that such were prescribed by TASE Board of Directors - shall apply to trading in derivatives.

7.3.2 The price fluctuation permissible in a single trading day is not limited.

7.3.3 Trading orders from Stock Exchange members shall be in fixed steps and of a size prescribed in TASE Rules and in Regulations there under, or in temporary Regulations, to the extent that such were prescribed by TASE Board of Directors.

7.3.4 An order placed by a Stock Exchange member shall obligate him for all intents and purposes.

### 7.4 Trading results

7.4.1 The Stock Exchange shall publish the results of the trade in derivatives in the website – [www.tase.co.il](http://www.tase.co.il) . That shall include prices and the volume of transactions carried out, as determined by TASE.

7.4.2 The weighted average of the prices, determined under TASE Rules, shall be the settlement price of a derivative at the end of each trading day.

### 7.5 Restrictions on the Scope of Open Positions

7.5.1 When a client's derivatives account is opened with a Stock Exchange member (hereinafter: "the account"), the member shall have the client sign an undertaking not to exceed the client's restrictions on same-side open positions (hereinafter: "open position restrictions"), neither with that same Stock Exchange member, nor with that Stock Exchange member in conjunction with open positions with other Stock Exchange members.

- 7.5.2 7.5.2.1 a. For the purposes of the open position restriction, options and futures pertaining to the same underlying asset that are held in any and all the following accounts shall be taken into consideration:
- 1) Accounts in the client's name, whether alone or in conjunction with others;
  - 2) Accounts in the name of the client's family members who live with him or if the one is dependent on the other, either alone or in conjunction with others;

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- 3) Accounts in which the client is entitled to act at his discretion according to a power of attorney;
  - 4) The accounts of a body corporate, in which 50% of the share capital or of the voting rights are, directly or indirectly, held in the client's name or in the name of the client's relatives, who live with him or if the one is a dependent of the other (hereafter: "controlled corporation"). However, if the controlled corporation is a trust fund manager, benefit fund manager, training fund manager, portfolio manager, pension fund manager, or insurance company, the derivatives held in the controlled corporation's accounts will not be taken into account.
- b. All provisions pertaining to a client's open position restrictions will apply to portfolio managers, and all derivatives held in all accounts managed by a given portfolio manager will be taken into account.
  - c. All provisions pertaining a client's open position restrictions will apply to mutual fund managers, provident fund managers, advanced training fund managers, pension fund managers, insurance companies, and with respect to each of these, derivatives held in the accounts of all parties managed by them will be taken into account.
  - d. All provisions pertaining to on a client's open position restriction will apply to a member's proprietary trading (nostro) accounts.

#### 7.5.2.2

- a) A client's open positions for the purpose of complying with the open positions limit ("general limit"), for any underlying asset, will be calculated on each trading day according to the following formula:

$$OP = \max \left( \left| \sum_{i=1}^n Q_i * D_i \right|, \left| \sum_{i=1}^n Q_i * D'_i \right| \right)$$

Where:

- OP** - the client's open positions for any underlying asset
- Q<sub>i</sub>** - the balance in contract i
- D<sub>i</sub>** - the delta of contract i
- D'<sub>i</sub>** - the modified delta of contract i, as follows:  
 for call options – max(0.1, D<sub>i</sub>)  
 for put options – min(-0.1, D<sub>i</sub>)  
 for future contract – 1

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

In addition to the aforesaid, on each of the four trading days prior to the next expiration date of any series, the client will be required to meet an additional limit on open positions (hereinafter: "Spot Expiry limit"). The Spot Expiry limit will be based on the derivatives balance of the same series and will be calculated according to the formula above.

- b) Notwithstanding the provisions of above paragraph 1), the open positions for clients who are market makers, as defined below, in respect of an underlying asset that is a share, or a hedging client, as defined in subsection g. below, shall be calculated according to the following formula:

A client's open positions for the purpose of complying with the limit on open positions ("general limit"), will be calculated on each trading day according to the following formula:

$$OP^E = \max \left\{ \min \left( \left| \sum_{i=1}^n Q_i * D_i + S \right|, \left| \sum_{i=1}^n Q_i * D_i \right| \right), \min \left( \left| \sum_{i=1}^n Q_i * D'_i + S \right|, \left| \sum_{i=1}^n Q_i * D'_i \right| \right) \right\}$$

Where:

**OP<sup>E</sup>** -open positions per client, who is a market maker with an underlying asset that is a share, or per a hedging client

**Q<sub>i</sub>** -the balance in derivative i

**D<sub>i</sub>** -the delta of derivative i

**D'<sub>i</sub>** -the amended delta on derivative i, as follows:

for call options – max(0.1, D<sub>i</sub>)

for put options – min(-0.1, D<sub>i</sub>)

for future contract – 1

**S** -For a client who is a market maker, in respect of an underlying asset that is a share: the credit balance in term of units of share that the market maker had reported on to the stock exchange, but not more than the open positions limit that was set to the specific share.

For a hedging client, in respect of an underlying asset that is a share or an index or a foreign exchange rate: the credit balance in terms of units of share, index, or foreign exchange rate, as the case may be, but not more than the amount approved by the General Manager of the Stock Exchange.

In addition to the aforesaid, on each of the four trading days prior to the next expiration date of any series, the client will be required to meet an additional limit on open positions (hereinafter: "Spot Expiry limit"). The Spot Expiry limit will be based on the derivatives balance of the same series and will be calculated according to the formula above.

#### 7.5.2.3 Canceled

#### 7.5.2.4 For the purposes of this section –

"Delta" -

- 1) Option's Delta – The delta of a call option or of a put option calculated according to the Black and Scholes formula, rounded to four decimal places.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

The parameters for calculating the delta of an option using the Black and Scholes formula - (underlying stock price, annual standard deviation parameter, shekel annual interest parameter, and annual foreign exchange interest parameter) - as defined in Chapter H of the MAOF clearing bylaws.

2) Futures delta – 1.

“Unit of shares” –

Number of shares that equals to multiplier of underlying asset of the option on share, held solely through the same Stock Exchange member.

**"FX unit" –**

US\$10,000 or Euro10,000, as the case may be, provided that the said amount of foreign currency is held by the same exchange member.

**"Index unit" –**

Securities portfolio, incorporating all the securities included in the index, where the weight of each of the securities in the portfolio is equal to its weight in the index and whose value constitutes an amount in NIS that is equal to the closing index price multiplied by one hundred, provided that all the securities are held by the same exchange member.

**"Market maker" –**

Within its meaning in the Rules, who acts as market maker for share options, as the case may be, and reports his holdings of the underlying asset to TASE, so that they can be taken into consideration in calculating the limitation on his open positions.

7.5.3 The restrictions placed on a client's total open position are prescribed in TASE Rules and in the Regulations there under. These restrictions may be changed from time to time.

When TASE decides to reduce open position limits, Stock Exchange members shall be given notice thereof at least 30 days in advance.

7.5.4 Repealed.

7.5.5 When an account is opened, TASE member shall have the client sign an authorization, empowering TASE member to buy, sell or write derivatives to reduce any open positions he may have with that member and other Stock Exchange members, in order to comply with open position restrictions..

7.5.6 Stock Exchange members shall do their utmost to inform a client which is about to execute a derivatives transaction, if the impending transaction is liable to cause the client to breach open position restrictions, and will refrain from executing transactions if they conclude that the said restriction will be breached.

7.5.7 Stock Exchange members shall inform their clients of any breach of open position restrictions in the client's accounts, immediately upon breach, and shall demand that the client act to reduce the excess immediately. Should the client neglect to reduce the open position, then TASE member shall act on the client's behalf to reduce the position.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- 7.5.8 If, TASE learns that a client breaches the open position restrictions as a result of combining the sum of the client's holdings with more than one Stock Exchange member, TASE shall order each of TASE members through which the client operated to impose new restrictions that will be calculated as specified below and will be effective until the coming expiration or execution date, as applicable (heretofore – “Member’s Open Position Limit”).

Stock Exchange members shall inform their client of the breach in the Member’s Open Position Limit and will demand that the client act immediately to eliminate the excess in order to comply with the limit. Should the client neglect to act accordingly, TASE member will act on the client’s behalf to eliminate the foresaid excess open position.

A Member’s Open Position Limit is calculated as follows:

$$ML_i = \frac{OP_i}{\sum_{i=1}^n OP_i} \times CL$$

MLi - the open position limit placed on member i

OPi - the client's open positions with member i at the beginning of the trading day, on which the digression was to be corrected

CL - client’s open position restrictions in a given underlying asset

n - number of Stock Exchange members through which a client operates

- 7.5.9 Should a Stock Exchange member breach open position restrictions on its proprietary trading (nostro) account, it shall act to eliminate the excess open position. Should TASE member neglect to reduce the open position, TASE is entitled to act on the member’s behalf to eliminate the excess open nostro position.
- 7.5.10 Beginning with the trading day on which TASE learned that a client exceeds the client open position restrictions or the Member’s Open Position Limit, as stipulated in sections 7.5.7 and 7.5.8 above, as applicable, (hereafter: “the Limit”) and on every trading day thereafter on which the Limit remains breached, the MAOF Clearing House shall debit the account of every member through which the client operates an amount equal to the number of excess open positions in the client's account at the close of the preceding trading day, multiplied by an amount in NIS, which is set in TASE Regulations.

## **CHAPTER EIGHT: OPTION EXERCISE AND CLEARING**

- 8.1 The exercise date of an option is as prescribed in the Appendix.
- 8.2 The settlement price of an option is as prescribed in the Appendix.
- 8.3 On the exercise date all call options with a settlement price higher than their exercise price and all put options with a settlement price lower than their exercise price shall be exercised.
- 8.4 The Clearing House is responsible for option exercise, which shall be carried out by paying the amount of the positive differential to the member holding the option. The said payment shall be executed out as follows:
- 8.4.1 The account of the member who holds the option shall be credited with the amount of the positive differential immediately after the exercise date;
- 8.4.2 The account of the member who wrote the option shall be debited with the amount of the positive differential immediately after the exercise date;
- Clearing shall be by setting off the amount due to the MAOF Clearing House member in respect of all the member's acts in options and futures, against the amount due from it in respect of all the said acts, and only the balance shall be credited or debited to its account at the Clearing House.
- 8.5 The obligation of the MAOF Clearing House shall lapse when the account of the member who holds the option has been credited by the amount of the positive differential; the Clearing House is not, in any way whatsoever, responsible for the obligation of a Clearing House member toward its clients.
- 8.6 The Stock Exchange member shall credit and debit its clients in respect of the exercise of options at the time when its account at the Clearing House is credited or debited in accordance with the aforesaid, and a Stock Exchange member who is not a Clearing House member shall credit and debit its clients in respect of the exercise of options at the time when its account is credited or debited by the Clearing House member, through which the clearing of its transactions is carried out.
- 8.7 The credits and debits in respect of the exercise of options shall be made on the exercise date of the option; however, when the exercise date is not a business day, then the credits and debits shall be made on the first business day after the exercise date.

## **CHAPTER NINE: CLEARING FUTURES**

- 9.1 The expiration date of a future is as prescribed in the Appendix.
- 9.2 The Clearing House is responsible for clearing in respect of futures; clearing shall be carried out at the end of each trading day and on the expiration date, by debiting and crediting the members who hold futures, as specified in sections 9.2.1 , 9.2.2 or 9.2.3 below, as the case may be.
- 9.2.1 The following shall apply in respect of futures for which no fluctuation multiplier was set:
- 9.2.1.1 The account of a member who buys a future shall be credited in respect of every future bought on that day, with the differential between the settlement price and the transaction price, if the settlement price is higher than the transaction price;
- 9.2.1.2 The account of a member who sells a future shall be credited in respect of every future sold on that day with the differential between the transaction price and the settlement price, if the transaction price is higher than the settlement price;
- 9.2.1.3 The account of a member who holds a credit balance of futures from the preceding trading day shall be credited in respect of every future with the differential between the settlement price and the settlement price on the preceding day, if the settlement price is higher than the settlement price on the preceding day;
- 9.2.1.4 The account of a member who holds a debit balance of futures from the preceding trading day shall be credited for every future with the differential between the settlement price on the preceding day and the settlement price, if the settlement price on the preceding day was higher than the settlement price;
- 9.2.1.5 The account of a member who buys a future shall be debited for every future bought on that day with the differential between the transaction price and the settlement price, if the transaction price is higher than the settlement price;
- 9.2.1.6 The account of a member who sells a future shall be debited for every future sold on that day with the differential between the settlement price and the transaction price, if the settlement price is higher than the transaction price;
- 9.2.1.7 The account of a member who holds a credit balance of futures from the preceding trading day shall be debited for every future with the differential between the settlement price on the preceding trading day and the settlement price, if the settlement price on the preceding trading day was higher than the settlement price;
- 9.2.1.8 The account of a member who holds a debit balance of futures from the preceding trading day shall be debited for every future with the differential between the settlement price and the settlement price on the

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

preceding trading day, if the settlement price is higher than the settlement price on the preceding trading day;

Clearing will be carried out by way of setting off the amount due to the Clearing House member in respect of all the member's acts in options and futures, against the amount due from him in respect of all the said transactions, and only the balance will be entered to its credit or debit in its account with the Clearing House.

- 9.2.2 The following shall apply to a future, in which a fluctuation multiplier has been set:
- 9.2.2.1 The account of a member who buys a future shall be credited in respect of every future bought on that day with the differential between the settlement price and the transaction price, multiplied by one hundred times the fluctuation multiplier, if the settlement price is higher than the transaction price;
- 9.2.2.2 The account of a member who sells a future shall be credited in respect of every future sold on that day with the differential between the transaction price and the settlement price, multiplied by one hundred times the fluctuation multiplier, if the transaction price is higher than the settlement price;
- 9.2.2.3 The account of a member who holds a credit balance of futures from the preceding trading day shall be credited in respect of every future with the differential between the settlement price and the settlement price on the preceding trading day, multiplied by one hundred times the fluctuation multiplier, if the settlement price is higher than the settlement price on the preceding trading day;
- 9.2.2.4 The account of a member who holds a debit balance of futures from the preceding trading day shall be credited for every future with the differential between the settlement price on the preceding trading day and the settlement price, multiplied by one hundred times the fluctuation multiplier, if the settlement price on the preceding trading day was higher than the settlement price;
- 9.2.2.5 The account of a member who buys a future shall be debited for every future bought on that day with the differential between the transaction price and the settlement price, multiplied by one hundred times the fluctuation multiplier, if the transaction price is higher than the settlement price;
- 9.2.2.6 The account of a member who sells a future shall be debited for every future sold on that day with the differential between the settlement price and the transaction price, multiplied by one hundred times the fluctuation multiplier, if the settlement price is higher than the transaction price;
- 9.2.2.7 The account of a member who holds a credit balance of futures from the preceding trading day shall be debited for every future with the differential between the settlement price on the preceding trading day and

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).



the settlement price, multiplied by one hundred times the fluctuation multiplier, if the settlement price on the preceding trading day was higher than the settlement price;

- 9.2.2.8 The account of a member who holds a debit balance of futures from the preceding trading day shall be debited for every future with the differential between the settlement price and the settlement price on the preceding trading day, multiplied by one hundred times the fluctuation multiplier, if the settlement price is higher than the settlement price on the preceding trading day;

Clearing will be carried out by way of setting off the amount due to the Clearing House member in respect of all the member's acts in options and futures, against the amount due from him in respect of all the said transactions, and only the balance will be entered to its credit or debit in its account with the Clearing House.

- 9.2.3 The provisions of section 9.2.1 shall apply in respect of futures on hypothetical bond at the end of each trading day, other than the delivery date.

The following shall apply on the delivery date:

- 9.2.3.1 Bonds shall be debited against the account with the Clearing House of the member that holds a balance of short futures, and that in accordance with the provisions of the Long Term Appendix or the Medium Term Appendix, as the case may be;
- 9.2.3.2 Subject to the receipt of the bonds from the member that holds a balance of short futures, as specified in section 9.2.3.1 above, an amount of money shall be credited to the account of the said member, and that in accordance with the provisions of the Long Term Appendix or the Medium Term Appendix, as the case may be;
- 9.2.3.3 An amount of money shall be debited against the account of the member that holds a balance of long futures, and that in accordance with the provisions of the Long Term Appendix or the Medium Term Appendix, as the case may be;
- 9.2.3.4 Subject to the member that holds a balance of long futures having paid the amount of money, as specified in the above subsection 9.2.3.3, and subject to the member that holds a balance of short futures transferring bonds as specified in the above subsection 9.2.3.1, bonds shall be credited to the account of the member that holds a balance of long futures with TASE Clearing House, and that in accordance with the provisions of the Long Term Appendix or the Medium Term Appendix, as the case may be;

- 9.3 The obligation of the MAOF Clearing House shall lapse at the end of each trading day and on the expiration date when the account of the member who holds the future has been credited with the amounts specified in sections 9.2.1.1, 9.2.1.2, 9.2.1.3, 9.2.1.4, 9.2.2.1, 9.2.2.2, 9.2.2.3, and 9.2.2.4, as the case may be;

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

In respect of futures on hypothetical bond, the obligation of the Clearing House shall lapse at the end of each trading day, other than the delivery date, and that in accordance with the above provisions of this section; on the delivery date the obligation of the Clearing House shall lapse as specified below:

- 9.3.1 The obligation of the Clearing House toward a member who holds a balance of long futures and who has paid an amount of money as specified in the above section 9.2.3.3 shall lapse with the transfer of bonds to his account with the Clearing House, as specified in section 9.2.3.4;
- 9.3.2 The obligation of the Clearing House toward a member who holds a balance of short futures and who has delivered bonds as specified in the above section 9.2.3.1 shall lapse when the amount of money is credited to his account, as specified in the above section 9.2.3.2;
- 9.3.3 The obligation of the Clearing House toward a member who holds a balance of long futures and who did not meet his obligations and did not pay on time the amount of money specified in the above section 9.2.3.3 shall lapse immediately when the said member should have paid and did not pay as he was required;
- 9.3.4 The obligation of the Clearing House toward a member who holds a balance of short futures and who did not meet his obligations and did not deliver on time bonds as specified in the above section 9.2.3.1 shall lapse immediately when the said member should have delivered the bonds and did not deliver them as required;

The Clearing House is not, in any way whatsoever, responsible for the obligation of a Clearing House member toward its clients.

- 9.4 The Stock Exchange member shall credit and debit its clients in respect of the clearing of futures at the time when its account at the Clearing House is credited or debited in accordance with the aforesaid, and a Stock Exchange member who is not a Clearing House member shall credit and debit its clients in respect of the exercise of the clearing of futures at the time when its account is credited or debited by the Clearing House member, through which the clearing of its transactions is carried out.
- 9.5 The credits and debits in respect of the expiration of futures shall be made on the expiration date of the future; however, when the expiration date is not a business day, then the credits and debits shall be made on the first business day after the expiration date.

## **CHAPTER TEN: MARGIN**

### **10.1 General**

- 10.1.1 The method by which derivatives are written and cleared assures that every obligation assumed by the Clearing House in respect of a derivative will be covered by the undertaking of a Clearing House member toward the Clearing House to meet its obligation under the derivative, as prescribed by the terms of the derivative.
- 10.1.2 A member who holds a future for itself or for a client and a member who wrote an option for itself or for a client is responsible to the Clearing House for meeting the obligations in respect of that derivative, irrespective of whether the client did or did not meet his obligations to it.
- 10.1.3 The following are used to secure the obligations of the Clearing House:
- 10.1.3.1 The margin given by the Clearing House member to the Clearing House as collateral for the member's obligations toward the Clearing House;
- 10.1.3.2 The collateral given by Clearing House member to the risk fund of the Clearing House;
- 10.1.3.3 The collateral given by all Clearing House members to the risk fund of the Clearing House;
- 10.1.3.4 The equity capital of the Clearing House.

### **10.2 Margin**

- 10.2.1 A client of a non-bank Clearing House member who writes options shall give the Clearing House member collateral of a monetary extent that is not less than the amount of collateral required by the Clearing House from the Clearing House member from time to time, and he shall add to the collateral to the extent that that is required;
- 10.2.2 A client of a non-bank Clearing House member, who has a debit or credit balance in futures, shall give the Clearing House member collateral of a monetary extent that is not less than the amount of the collateral required by the Clearing House from the Clearing House member from time to time in respect of those balances, and he shall add to the collateral to the extent that that is required;
- 10.2.3 A Clearing House member shall give the Clearing House collateral as guaranty for the fulfillment of all its obligations toward the Clearing House, of a monetary amount that is not less than the amount of the  
  
Collateral required by the Clearing House from time to time, and it shall add to the collateral to the extent that that is required.

### **10.3 Risk fund**

- 10.3.1 The MAOF Clearing House has a risk fund in an amount that will, from time to time, be set by the Board of Directors of the Clearing House.
- A Clearing House member is responsible toward the Clearing House for his part of the risk fund, which is determined in proportion to its activity in derivatives and to the total amount of collateral it must give the MAOF Clearing House, on

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

conditions from time to time prescribed by the Board of Directors of the Clearing House.

- 10.3.2 A Clearing House member shall give the Clearing House collateral to secure its part of the risk fund.

#### 10.4 Capital of Clearing House members

- 10.4.1 A Clearing House member must have a minimum amount of equity, as the Board of Directors of the Clearing House shall prescribe from time to time.

- 10.4.2 Assets of a non-bank MAOF Clearing House member, in the amount of the minimum equity, must be free of any charge, attachment, lien or other third party right, except for a charge to the benefit of the MAOF Clearing House and except of a charge to the benefit of the Tel Aviv Stock Exchange Clearing House Ltd., and part of its minimum equity shall be invested in liquid assets, as the MAOF Clearing House shall prescribe.

- 10.4.3 The proportion between the collateral required of a Clearing House member and the minimum equity required of him shall not exceed a rate which the Board of Directors of the Clearing House shall set from time to time.

#### 10.5 Early conclusion of MAOF Transactions

- 10.5.1 10.5.1.1 a. Without derogating from any right of the MAOF Clearing House under this Profile and under any statute, when one or more of the events described in the following section 10.5.1.2 occur, then the MAOF Clearing House Board of Directors shall have the right (but not the obligation) to decide, at its discretion, on the early conclusion of MAOF transactions to which the member is party, either by way of dissolving the transactions or by making changes in the member's open positions or by closing them, including – but without derogating from the generality of the aforesaid – by performing opposite transactions (hereafter, in this Chapter: "early conclusion"), all at the discretion of the Board of Directors;
- b. It is hereby clearly stated that, when the MAOF Board of Directors of the Clearing House has decided as said in subsection a. above, then the performance of all or some of the acts - including changing some or all the member's open positions or closing them - including, but without derogating from the generality of the aforesaid, sales, transfers out of the member's account, or purchases for it of options or futures - shall be carried out by the MAOF Clearing House, including by persons to whom powers were delegated (hereinafter: "the delegates"), as specified in section 10.8 below, all in amounts, on conditions, in the manner and in the order that will be determined by the MAOF Clearing House or the delegates, as the case may be, at their discretion (all the acts said above and any part thereof shall hereinafter be called "the acts").
- c. In this Profile the following terms shall have the meaning stated next to them:

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

"MAOF transactions to which the member is party" – whether carried out for himself (nostro) or for his clients, including NCHMs for whose transactions and clients the MAOF Clearing House member is responsible;

"The member's open positions" –

whether for himself (nostro) or for his clients, including NCHMs for whose transactions and clients the MAOF Clearing House member is responsible;

"Member's account" – the member's account for himself (nostro) and also the member's account for his clients, including NCHMs for whose transactions and clients the MAOF Clearing House member is responsible;

- d. At the early conclusion of MAOF transactions to which the member is party, the value of the obligations or of the rights of one party (the member or the MAOF Clearing House, as the case may be) toward the other party (the MAOF Clearing House or the member, as the case may be) shall be the value of his obligations or right, less the obligations or rights of the other party towards him.
- e. If the Board of Directors of the MAOF Clearing House decided on the early conclusion of all the MAOF transactions to which the member is party, as said in the above subsection a., then the MAOF Clearing House or those to whom authority was delegated, as the case may be, shall calculate the value of the obligations and rights of the member and the MAOF Clearing House at the time of the early conclusion, according to the closing price at the time of the calculation (hereafter: "time of the calculation") of the options or of the futures, as the case may be, to which the member is party; if trading in any options or futures does not take place at the time of the calculation, then the calculation shall be made according to the determining price that was last determined before the time of the calculation or according to ways of assessing the value of the said options or futures, as the case may be, for calculation of the margin given by members to the benefit of the MAOF Clearing House, as specified in Chapter Eight of the By-laws, as shall be decided for this purpose by the MAOF Clearing House.
- f. If an early conclusion of MAOF transactions takes place after the determining date for the valuation of debts claimed under a statute (hereafter: "determining date"), then the value of the parties' aforesaid obligations and rights shall be calculated correct as of the determining date. In a said instance the member undertakes to indemnify the MAOF Clearing House for any liability, harm, cost or expense caused to the MAOF Clearing House in consequence of the aforesaid.
- g. Without derogating from the provisions of this Chapter, whenever an opposite transaction is carried out, whether under the provisions of the above section 10.5.1.1.a. or at the member's request, the conditions specified below shall apply to every original MAOF transaction and to its opposite transaction:

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- 1) The opposite transaction shall close the original MAOF transaction, so that both transactions shall be deemed a single transaction, or so that the parties' obligations and rights from both transactions shall be connected and subject to each other, or so that the parties' obligations and rights from both transactions shall cancel each other out; according to the aforesaid, the obligations and rights of one party toward the other party shall equal the obligations and rights of the other part toward it, according to the two transactions.
- 2) It is hereby clearly stated that the provisions of the above subsection g.1) will be in effect, even if that does not find its expression in the way the transactions are entered in the MAOF Clearing House account books and notwithstanding the provisions of requests to perform MAOF transactions.

10.5.1.2 And these are the events:

- a. If the member does not fulfill its obligations toward the MAOF Clearing House to provide additional collateral, as required under the By-laws;
- b. If the member does not pay the MAOF Clearing House any amount that is due from it at the time set for its payment, including - but without derogating from the generality of the aforesaid - any amount the immediate payment of which was demanded or any obligation that stems from changing or closing the member's open positions, or if the member violates any obligation toward the MAOF Clearing House under the By-laws or under any undertaking by the member toward the MAOF Clearing House, or under any statute, including an obligation that is not monetary;
- c. If, in the opinion of the Board of Directors of the MAOF Clearing House, there is any suspicion that the member is liable not to fulfill its obligations or any part thereof or is liable not to pay any of its debts or part thereof;
- d. If the member's membership in the MAOF Clearing House is interrupted or suspended or canceled or if it is decided to interrupt the provision of clearing services to the member temporarily or if there are any grounds, because of which it is possible to stop, suspend or cancel its membership as aforesaid or to interrupt the provision of clearing services to the member temporarily;
- e. If a license needed by the member for the conduct of its business or part thereof is suspended or canceled;
- f. If an administrator or a special supervisor is appointed for the member or if the Supervisor of Banks takes any other steps against the member under sections 8C or 8D of the Banking Ordinance 1941 or under any other statute that replaces them;
- g. If a petition for liquidation is submitted against the member or for the appointment of a temporary preliminary liquidator, of a temporary liquidator, of a receiver or of a temporary receiver, or if a petition is submitted against the member for the opening of

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

rehabilitation proceedings or for a stay of proceedings or if the member decides on its voluntary liquidation;

- h. If the member's business is closed or substantively reduced, or if the member's business activity or a substantive part thereof is halted or if the member sells a substantive part of its property;
  - i. If, without agreement by the MAOF Clearing House, the member gives any collateral whatsoever to another creditor in violation of its undertakings under the fixed charges agreement or the floating charge agreement;
  - j. If early repayment of any debt is demanded of the member by any other creditor;
  - k. If an attachment is placed on the collateral deposited in the collateral accounts, on any part thereof or any substantive asset of the member, or if a receiver is appointed in order to exercise any part thereof, or if any execution proceeding is carried out in connection with any of the said assets;
  - l. If it turns out that any declaration by the member is not correct and that - at the discretion of the MAOF Board of Directors of the Clearing House - that is liable to endanger the member's ability to meet in full all its obligations toward the MAOF Clearing House;
  - m. If there is any change in the control of the member, in violation of the By-laws, or if one or more of the events specified in this section 10.5.1.2 above occurs in respect of a director, business manager, member of the Board of Directors or partner of the member;
  - n. If an event that is essentially similar to one of the events mentioned in this section 10.5.1.2 above occurs.
- 10.5.2 10.5.2.1 The MAOF Clearing House shall inform the member one business day in advance that the acts will be carried out.
- 10.5.2.2 Notwithstanding the provisions of section 10.5.2.1 above -
- a. If it is the opinion of the Board of Directors of the MAOF Clearing House that - under the circumstances of the case - the acts must be carried out immediately, including - but without derogating from the generality of the aforesaid - the MAOF Board of Directors of the Clearing House believes that there is any suspicion that the MAOF Clearing House will not be able to meet its obligations or any part thereof, or that the ability of the MAOF Clearing House to collect the member's obligations toward the MAOF Clearing House will deteriorate, or if there are other conditions that make it necessary - in the opinion of the Board of Directors of the MAOF Clearing House - to change or close open positions or any part thereof immediately, then -
  - b. The MAOF Clearing House shall have the right to carry out the acts, as said in section 10.5.1 above, even without giving advance notice thereof to the member, on condition that the member be given notice thereof as soon as possible, and that the nature of the acts carried out will be specified in it.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- 10.5.3 Without derogating from the aforesaid, the member shall bear all payments to which he is liable, as specified above in this Chapter, and also all the payments, expenses, premiums and commissions that will be connected to or involved in the performance of the acts said in the above section 10.5.1.1 in this Chapter, and those amounts shall be added to all of the member's obligations toward the MAOF Clearing House, and they shall, for all intents and purposes, be deemed an integral part thereof.
- 10.5.4 The MAOF Clearing House shall debit all the amounts that the member must pay as aforesaid against the Clearing House member's cash account with the MAOF Clearing House. These amounts shall be paid by the member immediately and without any delay, in the manner to be prescribed therefor by the MAOF Clearing House, all as the MAOF Clearing House shall decide.

#### 10.6 Irrevocable power of attorney

- 10.6.1 10.6.1.1 a. For the performance of the acts said in section 10.5.1.1 above and without derogating from a member's obligations under the By-laws, each of the members hereby gives an irrevocable authorization and power of attorney to the MAOF Clearing House to carry out the Acts said in section 10.5.1.1 above and to debit the member's monetary account with the MAOF Clearing House in respect of their performance;
- b. In order to remove any doubt, it is hereby clearly stated that the aforesaid authorization and power of attorney that the member gave authorize the MAOF Clearing House to change or to close some or all of the member's open positions, and that that includes – but does not derogate from the generality of the aforesaid – the changing or the closing of open positions for his clients, including any NCHM for whose transactions and clients the member is responsible, as specified in the above section 10.5.1.
- c. The aforesaid authorization and power of attorney are irrevocable, since the rights of the MAOF Clearing House depend on them, and they shall remain in effect and shall not be canceled even by a denial of the member's competence, by a receivership of his assets or by his liquidation, all as the case may be
- 10.6.1.2 In order to remove all doubt it is hereby clearly stated that each member - by the very fact of its membership in the MAOF Clearing House and as long as it is a member in it - is deemed to have agreed to all the provisions of this Chapter Ten and to give the aforesaid authorization and power of attorney, without any need for the performance of any further act whatsoever.
- 10.6.2 It is clearly stated that the aforesaid in Chapter 10 does not obligate the MAOF Clearing House to act under the aforesaid authorization and power of attorney, nor does it derogate from any right which the MAOF Clearing House may have under the By-laws or under any statute, and that the MAOF Clearing House has the right not to act under the aforesaid authorization and power of attorney or to act in some other manner, as it may find appropriate, and that includes - without derogating from the generality of the aforesaid - the right of the MAOF Clearing

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).



House to realize the collateral given to it under the By-laws, all of the aforesaid at the discretion of the MAOF Clearing House.

#### 10.7 Exercising collateral

- 10.7.1 When one or more of the events specified in section 10.5.1.2 above occurs in connection with any member (hereinafter: "the member in violation"), and without derogating from the rights of the MAOF Clearing House under the said section, under the By-laws or under any statute, the Board of Directors of the MAOF Clearing House shall have the right to decide, at its discretion, that the collateral in order to meet the member's obligations be exercised, and also the collateral which the member in violation gave to the Risk Fund;
- 10.7.2 If the Board of Directors of the MAOF Clearing House decided as said in section 10.7.1 above, then the MAOF Clearing House may, at its discretion, exercise the collateral to meet the member's obligations and also the collateral for the risk fund that the member in violation gave, or any part thereof, as it shall decide, and also to exercise the collateral given by the other members, in condition that it not collect from any of the other members an amount greater than that member's part in the risk fund.

#### 10.8 Delegation of powers

- 10.8.1 The MAOF Clearing House has the right (but not the obligation) to delegate some of its powers under this Chapter to any member or to a committee composed, inter alia, of representatives of members, of experts, consultants or any third parties, and also to employ consultants, experts or any third parties whatsoever, and to authorize them to perform the acts or any part thereof - all at the discretion of the MAOF Clearing House - in order to carry out its responsibilities under this Chapter.
- 10.8.2 In order to remove doubt it is here stated clearly that the Board of Directors of the MAOF Clearing House does not have the right to delegate its powers that are specified in sections 10.5.1.1 a., 10.5.1.1 c. or l. and 10.7.1 above.

#### 10.9 Exemption from liability

The Board of Directors of the MAOF Clearing House and also the MAOF Clearing House and any person on its behalf (including those to whom powers were delegated as said in section 10.8 above) shall be exempt of any liability for any act they performed or any omission they committed in good faith as part of the performance of their functions under the By-laws and under this Profile, including - but without derogating from the generality of the aforesaid - anything connected to the acts said in section 10.5 above, the implementation of the charge agreements, the exercise of collateral and the delegation of powers, as aforesaid.

**CHAPTER ELEVEN: ADDITIONAL INFORMATION**

- 11.1 The Clearing House is not responsible for any information about derivatives, which is published or given out by any factor whatsoever, including members of the Clearing House and members of TASE.
- 11.2 The Profile, including the Appendices attached to it, may undergo change in the course of time, due to changes that were made under decisions of the Board of Directors of TASE and of the Board of Directors of MAOF Clearing House, as the case may be. Aforesaid changes will be brought to the public's attention in the following ways:
- 11.2.1 Notices will be published in at least two widely circulated daily newspaper that appear in Israel in Hebrew, saying that the Profile and the Appendices attached to it have been amended.
- 11.2.2 The full text of the amendment shall be posted on TASE Internet site, the address of which is [www.tase.co.il](http://www.tase.co.il).
- 11.2.3 The updated Profile, incorporating this amendment, shall be posted on TASE Internet site, the address of which is [www.tase.co.il](http://www.tase.co.il).

## OPTIONS ON THE TA-35 INDEX

### (FORMERLY: TA-25 INDEX) – APPENDIX

The provisions also of this Appendix apply to TA-35 Index options:

1. Definitions

In this Appendix -

**TA-35 Index**

An index calculated and published by TASE, which refers to thirty five shares traded on the TACT trading system.

**"TA-35 Index for exercise" -**

The TA-35 Index calculated on the last trading day before the exercise date, according to the opening prices of the shares included in it; however, if trading on TASE with all the shares that are included in the TA-35 Index did not take place on the day that was supposed to be the last trading day of a series of options on the TA-35 index, then the closing TA-35 Index price that will be determined on the next trading day after the day that was supposed to be the last trading day of the series of options on the TA-35 index shall be the TA-35 Index for exercise.

**"Closing TA-35 Index price" -**

The TA-35 Index calculated at the end of each trading day, according to the closing prices of the shares included in it, unless there is a different provision in TASE Rules or in Regulations there under.;

**"Exercise price" -**

The NIS price set in a TA-35 Index option;

**"Settlement price" -**

TA-35 Index for exercise, multiplied by NIS 1;

**"Underlying asset multiplier" - 100;**

2. Underlying asset

2.1 The underlying asset of the option is the TA-35 Index.

2.2 The composition of the underlying asset, the list of shares included in the TA-35 Index, the frequency at which the list of shares is updated and how the index is calculated shall be as prescribed in Part

Seven of TASE Rules on the listing of derivatives for trading, and in Guidelines there under; if a said change was made in the list of the shares included in the index, then be no other change shall be made in the conditions of the options written before the change.

2.3 The aforesaid provisions of the Rules and of the Regulations, including the manner in which the index is calculated, can be changed. If such a change is made, then no other change shall be made in the conditions of the options written before the change.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

If an aforesaid change is made in the Rules or in the Regulations, then notice thereof shall be given to TASE members at least thirty days before the change goes into effect.

### 3. Option series

3.1 An option series for a three-month period (hereafter: “monthly options”).

A monthly option series is an option series comprising call and put options with the following terms:

3.1.1 Exercise prices of the monthly option series shall be set as stipulated in paragraph 4 below.

3.1.2. The monthly option series period is 3 months.

3.1.3 A monthly option series shall comprise the options issued during the series period, and there are no limitations on the maximum number of options that can be issued in a given option series during its period.

3.1.4 A new monthly option series period shall begin every month.

3.1.5 3.1.5.1 The exercise date for monthly options from the same option series shall be the last Friday of the month the option expires.

3.1.5.2 3.1.5.2.1. The final trading day of a monthly option series shall be the trading day preceding the day on which the TA-35 index exercise price is set. However, if trading was not conducted on TASE in all TA-35 index constituents on the day that was scheduled to be the final trading day of a monthly option series, the final trading day of the said option series shall be postponed to the day on which the TA-35 index exercise price is set.

3.1.5.2.2. If trading was not conducted on TASE in all TA-35 index constituents on part of the final trading day of a monthly option series, the TASE CEO will determine whether to postpone the final trading day of a monthly option series, as stipulated in paragraph 3.1.5.2.1 above.

3.1.5.3 Notwithstanding that stated in sub-paragraph 3.1.5.1 above, if on the day scheduled to be the final trading day prior to the exercise date of a monthly option series, the Opening Auction was not held for all shares comprising the TA-35 index, the exercise date shall be the day following the day trading in these shares on TASE is resumed, unless the Clearing House board of directors sets a different exercise date, and in these instances the exercise date will be that set by the Clearing House board of directors.

3.1.5.4 Should the exercise date of a monthly option series be postponed under paragraph 3.1.5.3, trading in monthly options from that series will not be conducted after the day preceding the original exercise date.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

3.1.5.5 Paragraph 3.1.5.4 will not apply if, in addition to postponement of the exercise date, as stated in paragraph 3.1.5.3, the final trading day of a monthly option series is postponed as well, as stipulated in paragraph 3.1.5.2.

3.1.6. Repealed.

3.1.7 New monthly option series shall be opened on the last trading day preceding the option exercise date, as stipulated in paragraph 3.1.5.1 above.

Notwithstanding the above, should the final trading day of a monthly option series be postponed, as stipulated in paragraph 3.1.5.2 above, the new series will open on the exercise date, and if this day is not a trading day, they will open on the following trading day, unless the Clearing House board of directors sets a different date for opening the new series and in these instances, the opening date will be that set by the board of directors.

### 3.2 Option Series for a Period of Two Weeks (hereafter: "weekly options")

A weekly option series is a series of options comprising call and put options with the following terms:

3.2.1 Exercise prices of the weekly option series shall be set as stipulated in paragraph 4 below.

3.2.2 The weekly option series period is generally two weeks.

3.2.3 A weekly option series shall comprise the options issued during the series period, and there are no limitations on the maximum number of options that can be issued in a given option series during its period.

3.2.4 Every week, periods of new weekly options series will begin, whose exercise dates will be as determined by the CEO<sup>1</sup>. Notwithstanding the above, a new weekly series whose exercise date should fall on the exercise date of a monthly series as stipulated in paragraph 3.1 above, will not begin.

3.2.5 3.2.5.1 Repealed.

3.2.5.2 3.1.5.2.1. The final trading day of a weekly option series shall be the trading day preceding the day on which the TA-35 index exercise price is set. However, if, on the day that was scheduled to be the final trading day of a weekly option series, trading was not conducted on TASE in all TA-35 index constituents, the final trading day of the said option series shall be postponed to the day on which the TA-35 index exercise price is set.

3.1.5.2.2. If, trading in all TA-35 index constituents was not conducted on TASE on part of the final trading day of a weekly option series, the TASE CEO will determine whether to postpone the final trading day of a weekly

<sup>1</sup> The CEO stated that every week periods of new weekly options series will begin whose exercise dates are Monday, Wednesday and Friday in the second week after the week in which the weekly options series began.

option series, as stipulated in paragraph 3.1.5.2.1 above.

- 3.2.5.3 Notwithstanding that stated in sub-paragraph 3.2.5.1 above, if on the day scheduled to be the final trading prior to the exercise date of a weekly option series, the Opening Auction for all shares comprising the TA-35 index was not held, the exercise date shall be the day following the day trading in these shares on TASE is resumed, unless the Clearing House board of directors sets a different exercise date, and in these instances the exercise date will be that set by the Clearing House board of directors.
- 3.2.5.4 Should the exercise date of a weekly option series be postponed under paragraph 3.2.5.3, trading in weekly options from that series will not be conducted after the day preceding the original exercise date.
- 3.2.5.5 Paragraph 3.2.5.4 will not apply if, in addition to postponement of the exercise date, as stated in paragraph 3.2.5.3, the final trading day of a weekly option series is postponed as well, as stipulated in paragraph 3.2.5.2.
- 3.2.6 New weekly option series shall be opened on the trading day preceding the day the TA-35 index exercise price is set, as stipulated in paragraph 3.2.5.1 above.

Notwithstanding the above, should the final day of trading a weekly option series be postponed under paragraph 3.2.5.2 above, the new series shall be opened on the day the TA-35 index exercise price is set, unless the Clearing House board of directors sets a different date for opening the new series, and in these instances, the opening date will be that set by the board of directors.

3.3 Repealed.

#### 4. Exercise price

- 4.1 The exercise prices of options of the same option series shall be determined at the end of the trading day before the beginning of the term of the option series, but additional exercise prices may be determined in the course of the term of the options as specified in section 4.4 below.
- 4.2 An option series shall include at least:
- 4.2.1 Call options at different exercise prices, as prescribed in section 4.3 below;
  - 4.2.2 Put options at different exercise prices, as prescribed in section 4.3 below;
  - 4.2.3 Call options with an exercise price of NIS 1.-
- 4.3 4.3.1. Call options and put options shall be issued at exercise prices that are included in up to  $\pm 20\%$  level range from the closing TA-35 Index price on the day before the issue date multiplied by NIS1.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- 4.3.2 The differential between the exercise prices of two adjacent options of the same series, as said in the above section 4.3.1, shall be as specified in the following table:

If the exercise price of the Option to be issued lies Within the following range	The NIS differential between adjacent options shall be as follows:
Less than 150	5
150 to 1000	10
More than 1000	20

- 4.3.3 The exercise prices should be rounded as specified in the following table:

If the exercise price of the Option to be issued lies Within the following range:	The exercise prices should be rounded as follows:
Less than 150	To the nearest NIS 5.
150 to 1000	To the nearest NIS 10.
More than 1000	To the nearest number that can be divided by 20 without fraction

#### 4.4 Issuing additional options for the same exercise date

- 4.4.1 if, at the end of a trading day, the closing TA-35 Index price, multiplied by NIS 1, came to stand at a level less than 20% below the highest exercise price of an option of that same series, then the MAOF Clearing House shall set additional higher exercise prices for that option series, in accordance with the price differentials under section 4.3, which shall not be more than 20% higher than the closing TA-35 Index price multiplied by NIS 1, as aforesaid. Beginning with the trading day after a said determination it will be possible to issue additional options for that option series.
- 4.4.2 If, at the end of a trading day, the closing TA-35 Index price, multiplied by NIS 1, came to stand at a level less than 20% above the lowest exercise price of an option of that same series (not including options said in section 4.2.3), then the MAOF Clearing House shall set additional lower exercise prices for that option series, in accordance with the price differentials under section 4.3, which shall not be more than 20% lower than the closing TA-35 Index price multiplied by NIS 1, as aforesaid. Beginning with the trading day after a said determination it will be possible to issue additional options for that option series.

- 4.4.3 At the end of the each trading day the MAOF Clearing House shall set additional exercise prices (in addition to those set under the above sections 4.4.1 and 4.4.2) for all weekly series of options and two near expiration month series of options, so that the differential of exercise prices between one option and the next is as said in the Table below, and that in range of  $\pm 20\%$  level from the closing TA-35 Index price, multiplied by NIS 1:

When the exercise price of the option that is to be issued lies within the following range:	the NIS differential between one option and the next shall be as follows:
from 150 to 400	5
above 1000	10

The exercise prices should be rounded as specified in the following table:

When the exercise price of the option that is as follows:	The exercise prices should be rounded as follows:
from 150 to 400	To the nearest NIS 5.
above 1000	To the nearest NIS 10.

Beginning with the trading day after the said determination it will be possible to issue additional options for that option series.

## 5. Risk factors

In addition to what is said in the Profile and without derogating from what is said there, the risks involved in an investment in TA-35 Index options are, inter alia, as follows:

- 5.1 A halt in trading in the shares included in the TA-35 shares list is liable to cause also a halt in trading the options and to prevent the possibility of carrying out transactions in them; when trading is resumed, significant price fluctuations are liable to occur, which will affect substantially the prices of the options and the obligations involved therein.
- 5.2 If trading in the shares included in the TA-35 shares list does not take place on the day that was supposed to be the last trading day before the exercise date that is liable to postpone the exercise date.

Furthermore, let it be stated that the basis of the option are twenty five shares traded on the Exchange, in respect of which TASE publishes the TA-35 Index; the Profile and this Appendix do not address the risks involved in investing in the shares that are included in the TA-35 Index, but those risks should be kept in mind by the investor, and he should be especially aware of the fact that changes and fluctuations in the prices of the shares included in the TA-35 Index exert an immeasurably great effect on the prices of the options.

## 6. Exercising and clearing

This English version is an unofficial translation of the official Hebrew version and has no binding force. The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).



The options on the TA-35 Index shall be exercised at the settlement price.

7. Repealed.

## FUTURES ON THE TA-35 INDEX

### (FORMERLY: TA-25 INDEX) – APPENDIX

To futures on the TA-35 Index shall also apply the provisions of this Appendix:

1. Definitions

In this Appendix -

**"TA-35 Index" -**

An index calculated by TASE that refers to thirty-five shares traded on the TACT trading system;

**"TA-35 Index for expiration" -**

The TA-35 Index calculated on the last trading day before the expiration date, according to the opening prices of the shares included in it;

However, if trading on TASE with all the shares that are included in the TA-35 Index did not take place on the day that was supposed to be the last trading of a series of futures on the TA-35 Index, then the closing TA-35 Index price that will be set on the next trading day after the day that was supposed to have been the last trading day of the series of futures on the TA-35 index shall be the TA-35 Index for expiration.

**"Closing TA-35 Index price" -**

The TA-35 Index calculated at the end of each trading day according to the closing prices of the shares included in it, unless a different provision is made in TASE Rules or in Regulations there under;

**"Transaction price" -**

The new shekel price of TA-35 Index multiplied by one hundred, as set between buyer and seller at the time a transaction is carried out with a future;

**"Settlement price" -**

(a) On the expiration date - the TA-35 Index for expiration, multiplied by NIS 100;

(b) On any trading day on which transactions in futures were carried out -

The weighted average of the transaction prices set in the last five transactions carried out with the future, rounded off to the nearest whole NIS, on condition that in those transactions at least twenty five futures were bought or sold;

If twenty five futures were not bought or sold in the said last five transactions - then the weighted average, rounded off as aforesaid, of the transaction prices set in the last transactions that were carried out as aforesaid and in which at least twenty five futures in the aggregate were bought or sold;

If aforesaid transactions were not carried out with twenty five futures - then the weighted average, rounded off as aforesaid, of the transaction prices set in all the transactions that were carried out as aforesaid with the future on that trading day;

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- (c) On each trading day on which no transactions were carried out with the future as aforesaid - the settlement price of the future on the preceding trading day;

**"Underlying Asset Multiplier"** - 100.

2. **Underlying asset**

- 2.1 The underlying asset of the future is the TA-35 Index.
- 2.2 The composition of the underlying asset, the list of shares included in the TA-35 Index, the frequency at which the list of shares is updated and how the index is calculated shall be as prescribed in Part Seven of TASE Rules on the listing of derivatives for trading, and in Regulations there under; if a said change was made in the list of the shares included in the index, then no other change shall be made in conditions of the futures that were written before the change.
- 2.3 The aforesaid provisions of the Rules and of the Regulations, including the manner in which the index is calculated, can be changed; when such a change is made, then no other change shall be made in the conditions of the futures that were written before the change.

If an aforesaid change is made in the Rules or in the Regulations, then notice thereof shall be given to TASE members at least thirty days before the change goes into effect.

3. **Futures series**

3.1 **A futures series for a three-month or fifteen-month period (hereafter: "monthly futures")**.

A monthly futures series is a futures series with the following terms:

- 3.1.1 Monthly futures series will include futures with an identical expiration date.
- 3.1.2. The monthly futures series period is generally 3 months or 15 months, as stipulated in subsection 3.1.4 below.
- 3.1.3 A monthly futures series shall comprise the futures issued during the series period, and there are no limitations on the maximum number of futures that can be issued in a given future series during its period.
- 3.1.4\* In the months of January, February, April, May, July, August, October and November, a new 3-month options series shall begin. In the months of March, June, September and December, a new 15-month option series shall begin.
- 3.1.5 3.1.5.1 The expiration date for monthly futures from a single futures series shall be the last Friday of the month the futures expire.

\* The amendments to subsections 3.1.2 and 3.1.4 of the Appendix to the Derivatives Profile pertaining to futures on the TA-35 index shall take effect on 29/3/18. However, on the date 29/3/18 four new futures series shall be opened on a one-time basis for periods of: six months (expiring September 2018), nine months (expiring December 2018), 12 months (expiring March 2019) and 15 months (expiring June 2019) and this in addition to the three-month futures series on the TA-35 index.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- 3.1.5.2 3.1.5.2.1. The final trading day of a monthly futures series shall be the trading day preceding the day on which the TA-35 index expiration price is set. However, if, on the day that was scheduled to be the final trading day of a monthly futures series, trading was not conducted on TASE in all TA-35 index constituents, the final trading day of the said futures series shall be postponed to the day on which the TA-35 index expiration price is set.
- 3.1.5.2.2. If trading was not conducted on TASE in all TA-35 index constituents on part of the final trading day of a monthly futures series, the TASE CEO will determine whether to postpone the final trading day of a monthly futures series, as stipulated in paragraph 3.1.5.2.1 above.
- 3.1.5.3 Notwithstanding that stated in sub-paragraph 3.1.5.1 above, if, on the day scheduled to be the final trading prior to the expiration date of a monthly futures series, the Opening Auction was not held in all shares comprising the TA-35 index, the expiration date shall be the day following the day trading in these shares on TASE is resumed, unless the Clearing House board of directors sets a different expiration date, and in these instances, the expiration date will be that set by the Clearing House board of directors.
- 3.1.5.4 Should the expiration date of a monthly futures series be postponed under paragraph 3.1.5.3, trading in monthly futures from that series will not be conducted after the day preceding the original expiration date.
- 3.1.5.5 Paragraph 3.1.5.4 shall not apply if, in addition to postponement of the expiration date, as stated in paragraph 3.1.5.3, the final trading day of a monthly futures series is postponed as well, as stipulated in paragraph 3.1.5.2.
- 3.1.6 New monthly futures series shall be opened on the trading day preceding the futures expiration date, as stipulated in paragraph 3.1.5.1 above.

Notwithstanding the aforesaid, should the final day of trading a monthly futures series be postponed under paragraph 3.1.5.2 above, the new series shall be opened on the expiration day and if this day is not a trading day, they will be opened on the following trading day, unless the Clearing House board of directors sets a different date for opening the new series, and in these instances, the opening date shall be that set by the board of directors.

3.2 Repealed.

3.3 Repealed.

#### 4. **Risk factors**

In addition to what is said in the Profile and without derogating from what is said there, the risks involved in an investment in futures on the TA-35 index are, inter alia, as follows

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- 4.1 A halt in trading in the shares included in the TA-35 shares list is liable to cause also a halt in trading in the futures and to prevent the possibility of carrying out transactions in them; when trading is resumed, significant price fluctuations are liable to occur, which will affect substantially the prices of the futures and the obligations involved therein;
- 4.2 If trading in the shares included in the TA-35 shares list does not take place on the day that was supposed to be the last trading day before the expiration date, then that is liable to postpone the expiration date.

Furthermore, let it be stated that the underlying asset of the future are the twenty five shares traded on the Exchange, in respect of which TASE publishes the TA-35 Index; the Profile and this Appendix do not address the risks involved in investing in the shares that are included in the TA-35 Index, but those risks should be kept in mind by the investor, and he should be especially aware of the fact that changes and fluctuations in the prices of the shares included in the TA-35 Index have a disproportionately large influence on the profit or loss that results from an investment in futures.

## **OPTIONS ON THE DOLLAR EXCHANGE RATE – APPENDIX**

The provisions also of this Appendix apply to options on the dollar exchange rate:

### 1. Definitions

In this Appendix -

#### **"Exercise price" -**

The price in new agorot set in the dollar exchange rate option;

#### **"Settlement price" -**

The last dollar exchange rate published before the exercise date, on a day on which trading takes place on TASE and on which a dollar exchange rate in new agorot is set by the Bank of Israel;

**"Underlying asset multiplier" - 10,000;**

#### **"Dollar exchange rate" -**

The representative dollar exchange rate set by the Bank of Israel; however, during a period in which the Bank of Israel does not set representative exchange rates, the exchange rate last set by the Minister of Finance together with the Governor of the Bank of Israel for Government bonds linked to the U.S. dollar exchange rate shall be the dollar exchange rate;

### 2. Underlying asset

The underlying asset of the option is the dollar exchange rate.

### 3. Option series

3.1 An option series for a period of three months, six months or twelve months (hereinafter: "monthly options")

A monthly option series is an option series comprising all and put options with the following terms:

3.1.1 Exercise prices of the monthly option series shall be set as stipulated in paragraph 4 below.

3.1.2. The monthly option series period is generally 3 or 6 or 12 months, as stipulated in paragraph 3.1.4 below.

3.1.3 A monthly option series shall comprise the options issued during the series period, and there are no limitations on the maximum number of options that can be issued in a given option series during its period.

3.1.4 A new monthly option series period shall begin every month.

A new monthly option series period for 3-month options shall begin in the months of January, February, April, May, July, August, October and November.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

A new monthly option series period for 6-month options shall begin in the months of March and September.

A new monthly option series period for 6-month options shall begin in the months of June and December.

- 3.1.5 3.1.5.1 The exercise date for monthly options from a single option series shall be the last Wednesday of the month the option expires.
- 3.1.5.2 Notwithstanding that stated in sub-paragraph 3.1.5.1 above, if either trading was not conducted on TASE or a dollar exchange rate was not set by the Bank of Israel on the trading day preceding the exercise date of a monthly option series, the exercise date will be postponed to the day following the next day on which trading is conducted on TASE and on which the Bank of Israel sets a dollar exchange rate, unless the board of directors of the Clearing House sets a different exercise date, and in these instances, the exercise date shall be the date set by the Clearing House board of directors.

3.1.6 Repealed.

- 3.1.7 New monthly option series shall be opened on the Wednesday which falls on the option exercise date, as stipulated in paragraph 3.1.5.1 above, and if this day is not a trading day, they shall be opened on the following trading day.

The final trading day of a monthly option series shall be the day on which the reference price is set. Notwithstanding the above, should a different option exercise date be set as stipulated in paragraph 3.1.5.2 above, the new series will open on the exercise date, and if this day is not a trading day, they will open on the following trading day, unless the Clearing House board of directors sets a different date for opening the new series and in these instances, the opening date will be that set by the board of directors.

### 3.2 Option Series for a Period of Two Weeks (hereafter: "weekly options")

A weekly option series is a series of options comprising call and put options with the following terms:

- 3.2.1 Exercise prices of the weekly option series shall be set as stipulated in paragraph 4 below.
- 3.2.2 The weekly option series period is generally two weeks.
- 3.2.3 A weekly option series shall comprise the options issued during the series period, and there are no limitations on the maximum number of options that can be issued in a given option series during its period.
- 3.2.4 A new weekly option series period shall begin every week, except for the week preceding by two weeks the week in which a monthly option series exercise date occurs as stipulated in paragraph 3.1 above.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- 3.2.5 3.2.5.1 The exercise date of weekly options from a single option series shall be the Wednesday following the week the weekly option series was issued.
- 3.2.5.2 Notwithstanding that stated in sub-paragraph 3.2.5.1 above, if either trading was not conducted on TASE or a dollar exchange rate was not set by the Bank of Israel on the trading day preceding the exercise date of a weekly option series, the exercise date will be postponed to the day following the next day on which trading is conducted on TASE and on which the Bank of Israel sets a dollar exchange rate, unless the board of directors of the Clearing House sets a different exercise date, and in these instances, the exercise date shall be the date set by the Clearing House board of directors.
- 3.2.6 New weekly option series shall be opened on the trading day preceding the option expiration date, as stipulated in paragraph 3.2.5.1 above, and if this day is not a trading day, they shall be opened on the following trading day.
- The final trading day of a weekly option series shall be the day on which the reference price is set. Notwithstanding the above, should a different option exercise date be set for the weekly option series, as stipulated in paragraph 3.2.5.2 above, the new weekly option series will open on the trading day preceding the new exercise date, unless the Clearing House board of directors sets a different date for opening the new series and in these instances, the opening date will be that set by the board of directors.

#### 4. Exercise price

- 4.1 The exercise prices of options of the same option series shall be determined at the end of the trading day before the beginning of the term of the option series, but additional exercise prices may be determined in the course of the term of the options as specified in section 4.4 below.
- 4.2 An option series shall include at least:
- 4.2.1 Call options, as prescribed in section 4.3 below;
- 4.2.2 Put options, as prescribed in section 4.3 below;
- 4.2.3 Call options with an exercise price of NIS 1.-
- 4.3 Call options and put options shall be issued at exercise prices that are included in up to  $\pm 10\%$  level range from the last published dollar exchange rate.
- 4.3.1 The differential between one option and the option of the same series that is nearest to it shall be ten new agorot;
- 4.3.2 The exercise prices shall be rounded off to the nearest ten agorot.
- 4.4 Issuing additional options for the same exercise date
- 4.4.1 If the dollar exchange rate in new agorot at the end of a trading day came to stand at a level less than 10% below the highest exercise price of an option of that same series, then the MAOF Clearing House shall set additional higher exercise prices for that option series, in accordance with the price

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).



differentials under section 4.3 above, which shall not be more than 10% higher than the abovementioned dollar exchange rate. Beginning with the trading day after a said determination it is possible to write additional options for that option series.

4.4.2 If the dollar exchange rate in new agorot at the end of a trading day came to stand at a level less than 10% above the lowest exercise price of an option of that same series (without the option mentioned in section 4.2.3), then the MAOF Clearing House shall set additional lower exercise prices for that option series, in accordance with the price differentials under section 4.3 above which shall not be more than 10% lower than the abovementioned dollar exchange rate. Beginning with the trading day after a said determination it is possible to write additional options for those option series.

4.4.3 At the end of the each trading day, the MAOF Clearing House shall set additional exercise prices for each weekly option series the monthly options series with three nearest exercise dates such that the price differentials between an option and the option nearest to it shall be equal to five agorot valid for the exercise prices included in  $\pm 5\%$  level range from the last published dollar exchange rate. The exercise prices shall be rounded off to the nearest five agorot.

Beginning with the trading day after a said determination it is possible to write additional options for those option series.

In addition to the aforesaid, at the end of the each trading day, the MAOF Clearing House shall set additional exercise prices for all weekly option series and the monthly option series with the two nearest exercise dates, such that the price differentials between an option and the option nearest to it shall be equal to 2.5 agorot for the exercise prices included in  $\pm 5\%$  range from the last published dollar exchange rate.

The exercise prices shall be rounded off to the nearest 2.5 agorot.

Beginning with the trading day after a said determination it is possible to write additional options for those option series.

4.4.4 If a change in the dollar exchange rate occurred on a Friday, requiring the opening of additional options according to the provisions of section 4.4.1, 4.4.2 or 4.4.3, then the new options shall be written on the next Monday.

## 5. **Risk factors**

In addition to what is said in the Profile and without derogating from what is said there, the risks involved in an investment in dollar exchange rate options are, inter alia, as follows:

5.1 It is difficult to cover the risks of an investment in options. inter alia, because of the fact that the underlying asset is not traded on TASE and that buying and selling the underlying asset is subject to the provisions of the Currency Control Law 5738-1978 and of the Currency Control Permit 5738-1978;

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- 5.2 Changes in the dollar exchange rate reflect the fluctuations of its exchange rate vis-a-vis other foreign currencies on international markets, the demand for and the supply of foreign currency against NIS in the Israel economy and on international markets and the policy of the Ministry of Finance and of the Bank of Israel;
- 5.3 It is possible that trading in foreign currency in Israel and the publication of foreign currency exchange rates will be halted for a short or prolonged interval;

If it turns out that the day that was supposed to be the last trading day before the exercise date is a day on which the Bank of Israel does not set a dollar exchange rate, then the exercise date is liable to be postponed, as provided in sections 3.1.5 and 3.2.5 above;

furthermore, let it be stated that the basis of the option is the exchange rate of the U.S. dollar set by the Bank of Israel; the Profile and this Appendix do not address the risks involved in investing in dollars, but those risks should be kept in mind by the investor, and he should be especially aware of the fact that changes and fluctuations of the dollar exchange rate exert a disproportionately large influence on the prices of the options.

6. Options on the dollar exchange rate shall be exercised at the settlement price.
7. Repealed.

## **FUTURES ON THE DOLLAR EXCHANGE RATE – APPENDIX**

The provisions also of this Appendix apply to futures on the Dollar exchange rate:

### 1. Definitions

In this Appendix -

#### **"Transaction price" -**

The price in new agorot of the dollar exchange rate, multiplied by 10,000, as set between buyer and seller when a transaction on a future is carried out;

#### **"Settlement price" -**

- a) On the expiration date - the last dollar exchange rate in new agorot published before the expiration date, on a day on which trading takes place on TASE and a dollar exchange rate is set by the Bank of Israel, multiplied by ten thousand;
- b) On any trading day on which transactions in the future were carried out:
 

The weighted average of the transaction prices set in the last five transactions carried out with the future, rounded off to the nearest whole NIS, on condition that in those transactions in the aggregate at least twenty five futures were bought or sold;

If twenty five futures were not bought or sold in the said last five transactions - then the weighted average, rounded off as aforesaid, of the transaction prices set in the last transactions carried out as aforesaid, in which in the aggregate at least twenty five futures were bought or sold;

If aforesaid transactions were not carried out with twenty five futures - then the weighted average, rounded off as aforesaid, of the transaction prices set in all the transactions carried out as aforesaid with the future on that trading day;
- c) On each trading day on which no transactions were carried out with the future as aforesaid - the settlement price of the future on the preceding trading day;

#### **"Dollar exchange rate" -**

The representative dollar exchange rate set by the Bank of Israel; however, during a period in which the Bank of Israel does not set representative exchange rates, the exchange rate last set by the Minister of Finance together with the Governor of the Bank of Israel for Government bonds linked to the U.S. dollar exchange rate shall be the dollar exchange rate;

**"Underlying asset multiplier" - 10,000.**

2. **Underlying asset**

The underlying asset of the future is the dollar exchange rate.

3. **Futures series**

3.1 A futures series for a period of three months, six months or twelve months (hereinafter: “monthly futures”)

A monthly futures series is a futures series with the following terms:

3.1.1 Monthly futures series will include futures with an identical expiration date.

3.1.2. The monthly futures series period is generally 3 or 6 or 12 months, as stipulated in paragraph 3.1.4 below.

3.1.3 A monthly futures series shall comprise the futures issued during the series period, and there are no limitations on the maximum number of futures that can be issued in a given future series during its period.

3.1.4 A new monthly futures series period shall begin every month. A new monthly future series period for 3-month futures shall begin in the months of January, February, April, May, July, August, October and November.

A new monthly future series period for 6-month futures shall begin in the months of March and September.

A new monthly future series period for 6-month futures shall begin in the months of June and December.

3.1.5 3.1.5.1 The expiration date for monthly futures from a single futures series shall be the last Wednesday of the month the futures expire.

3.1.5.2 Notwithstanding that stated in sub-paragraph 3.1.5.1 above, if either trading was not conducted on TASE or a dollar exchange rate was not set by the Bank of Israel on the trading day preceding the exercise date of a monthly future series, the exercise date will be postponed to the day following the next day on which trading is conducted on TASE and on which the Bank of Israel sets a dollar exchange rate, unless the board of directors of the Clearing House sets a different exercise date, and in these instances, the exercise date shall be the date set by the Clearing House board of directors.

3.1.6. New monthly futures series shall be opened on the trading day preceding the futures expiration date, as stipulated in paragraph 3.2.5.1 above.

Notwithstanding the above, should the final day of trading a monthly futures series be postponed under paragraph 3.1.5.2 above, the new series shall be opened on the expiration day and if this day is not a trading day, they will be opened on the following trading day, unless the Clearing House board of directors sets a different date for opening the new series, and in these instances, the opening date will be that set by the board of directors.

3.2 Repealed.

#### 4. **Risk factors**

In addition to what is said in the Profile and without derogating from what is said there, the risks involved in an investment in dollar exchange rate futures are, inter alia, as follows:

- 4.1 it is difficult to cover the risks of an investment in futures. inter alia, because of the fact that the underlying asset is not traded on TASE and that buying and selling the underlying asset is subject to the provisions of the Currency Control Law 5738-1978 and of the Currency Control Permit 5738-1978;
- 4.2 changes in the dollar exchange rate reflect the fluctuations of its exchange rate vis-a-vis other foreign currencies on international markets, the demand for and the supply of foreign currency against shekalim in the Israel economy and on international markets and the policy of the Ministry of Finance and of the Bank of Israel;
- 4.3 it is possible that trading in foreign currency in Israel and the publication of foreign currency exchange rates will be halted for a short or prolonged interval; if it turns out that the day that was supposed to be the last trading day before the expiration date is a day on which the Bank of Israel does not set a dollar exchange rate, then the expiration date is liable to be postponed, as provided in sections 3.1.5 and 3.2.5 above;

furthermore, let it be stated that the underlying asset of the future is the exchange rate of the U.S. dollar set by the Bank of Israel; the Profile and this Appendix do not address the risks involved in investing in dollars, but those risks should be kept in mind by the investor, and he should be especially aware of the fact that changes and fluctuations in the dollar exchange rate exert a disproportionately large influence on the profit or loss from an investment in futures.

## **FUTURES ON THE THREE-MONTH INTEREST RATE – APPENDIX**

The provisions also of this Appendix apply to futures on the Three month interest rate:

### 1. Definitions

In this Appendix -

#### **"Transaction price" -**

One hundred, less the three month interest rate multiplied by 100, as set between buyer and seller when a transaction in the future is carried out;

The aforesaid price shall be determined to a precision of two decimal places;

#### **"Settlement price" -**

- (a) On the expiration date - the difference between one hundred and the product of one hundred multiplied by the annual yield rate of the short term loan series with the redemption term which, on the day of the calculation, is the closest to three months;

The said yield shall be calculated on the basis of the opening price of the aforesaid short term loan series on the trading day before the expiration date;

However, if no trading in the aforesaid short term loan series took place on TASE on the day that was supposed to be the last trading day for the series of futures on the three month interest rate, then the said yield shall be calculated according to the closing price of the aforesaid short term loan series on the next trading day after the day that was supposed to be the last trading day of the series of futures on the three month interest rate.

The aforesaid price shall be calculated to a precision of two decimal places;

- (b) On any trading day on which transactions in the future were carried out - the weighted average of the transaction prices set in the last five transactions carried out with the future, on condition that in those transactions in the aggregate at least twenty five futures were bought or sold;

If twenty five futures were not bought or sold in the said last five transactions - then the weighted average of the transaction prices set in the last transactions carried out as aforesaid with the future, in which in the aggregate at least twenty five futures were bought or sold;

If aforesaid transactions were not carried out with twenty five futures - then the weighted average of the transaction prices set in all the transactions carried out as aforesaid with the future on that trading day;

The aforesaid price shall be calculated to a precision of two decimal places;

On each trading day on which no transactions were carried out with the future as aforesaid - the settlement price of the future on the preceding trading day;

**"Number of days to the redemption of a short term loan series"**

The number of days, beginning with the clearing day of the trading day on which the calculation of the said number of days is being made, up to and including the day before the redemption of the series;

**"Fluctuation multiplier"** - NIS 10;

**"Short term loan" -**

Bonds introduced by the State of Israel under the Short Term Loan Law 5744-1984;

**"Annual yield of a short term loan series" -**

The differential between one hundred and the price of the short term loan series on TASE, the said differential being divided by the price of the short term loan series on TASE, multiplied by 365 and divided by the number of days to maturity of the short term loan series;

**"Three month interest rate" -**

The annual yield of the short term loan series, which - on the day of the calculation - has the redemption term that is closest to three months.

2. **Underlying asset**

The underlying asset of the future is the three month interest rate.

3. **Futures series**

3.1 A futures series shall include futures with the same expiration date.

3.2 The term of a futures series is approximately twelve months; however, when trading in three month interest futures begins, four series of future shall be opened as a one-time occurrence, with terms that can be shorter than the aforesaid.

3.3 A futures series shall include the futures that will be written in the course of the term of the series, and there is no limit on the maximum number of futures that may be written within any futures series in the course of its term.

3.4 The term of a new futures series shall begin every three months.

3.5 3.5.1 The expiration date of futures of the same series shall be the first Tuesday of the month in which the future expires.

3.5.2 3.5.2.1 The trading day before the day on which settlement price for expiration is determined shall be the last trading day of the series of futures. However, if - on the day that was supposed to be the last trading day of the series of futures on the three month interest rate - trading on TASE, according to which the settlement price is calculated, did not take place, then the last trading day of the said series of futures shall be postponed to the day on which the settlement price for expiration is determined.

3.5.2.2 If trading in the aforesaid short term series did not take place on TASE on part of the last day of trading in the series of futures, the

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

General Manager of TASE shall decide whether to postpone the last day of trading the said series of futures, as said in section 3.5.2.1.

- 3.5.3 Notwithstanding the provisions of the above section 3.5.1, if trading on TASE in all the short term loan series does not take place in the opening trading phase on the day that is supposed to be the last trading day before expiration, then the day after the day on which trading in these series is resumed on TASE shall be the day of expiration, unless the Board of Directors of the Clearing House decides on another expiration date, and in that case the expiration date decided by the Board of Directors shall be the expiration date.
- 3.5.4 If the expiration date of a futures series is postponed in accordance with section 3.5.3, then there shall be no trading in futures of that series after the day before the original expiration date.
- 3.5.5 Section 3.5.4 shall not apply if – in addition to the postponement of the expiration date, as said in section 3.5.3 – the last trading day of the series of futures is also postponed, as said in section 3.5.2
- 3.6 New futures series shall be opened on the last trading day before the expiration date of futures, as said in section 3.5.1 above.

Notwithstanding the aforesaid, if the last trading day of the series of futures is postponed according to the provisions of the above section 3.5.2, then the new series shall be opened on the expiration date, and if that day is not a trading day, then they shall be opened on the following trading day, unless the Board of Directors of the Clearing House decides on a different date for opening the new series, and in that case the date decided on by the Board of Directors shall be the opening date.

#### 4. **Risk factors**

In addition to what is said in the Profile and without derogating from what is said there, the risks involved in an investment in futures on the three month interest rate include, inter alia, that - if the short term loan series are not traded on the day that was supposed to be the last trading day before the expiration - the expiration date may be postponed.



## **FUTURES ON THE CONSUMER PRICE INDEX – APPENDIX**

The provisions also of this Appendix apply to futures on the consumer price index.

### 1. Definitions

In this Appendix -

#### **"Consumer price index" -**

The price index known as the "consumer price index", which includes vegetables and fruit and is published by the Central Bureau of Statistics, and also including any official index that will replace it, whether or not it is based on the same data as the present index; if it is replaced by another index published by an aforesaid body or institution and if that body or institution does not determine the relationship between it and the replaced index, then the relationship shall be determined by the Central Bureau of Statistics; if that relationship is not determined as aforesaid, then the relationship between the other index and the replaced index shall be determined in consultation with experts in economics chosen by the Board of Directors;

#### **"Transaction price" -**

The consumer price index, as determined between buyer and seller when a transaction in a future is carried out;

The aforesaid price shall be determined to a precision of two decimal places;

#### **"Settlement price" -**

- a) On the expiration date - the last known consumer price index;  
the aforesaid price shall be set to a precision of two decimal places.
- b) On any trading day on which transactions in the future were carried out - the weighted average of the transaction prices set in the last five transactions carried out with the future, on condition that in those transactions at least twenty five futures in the aggregate were bought or sold;

If twenty five futures were not bought or sold in the said last five transactions - then the weighted average of the transaction prices set in the last transactions carried out as aforesaid with the future, in which in the aggregate at least twenty five futures were bought or sold;

If aforesaid transactions were not carried out with twenty five futures - then the weighted average of the transaction prices set in all the transactions carried out as aforesaid with the future on that trading day;

The aforesaid price shall be calculated to a precision of two decimal places;

- c) On each trading day on which no transactions were carried out with the future as aforesaid - the settlement price of the future on the preceding trading day;

#### **"Fluctuation multiplier" - NIS 10.**

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

2. Underlying asset

The underlying asset of the future is the consumer price index.

3. Futures series

- 3.1 A futures series shall include futures with the same expiration date.
- 3.2 The term of a futures series is approximately twelve months; however, when trading in consumer price index futures begins, four series of future shall be opened as a one-time occurrence, with terms that can be shorter than the aforesaid.
- 3.3 A futures series shall include the futures that will be written in the course of the term of the series, and there is no limit on the maximum number of futures that may be written within any futures series in the course of its term.
- 3.4 The term of a new futures series shall begin every three months.
- 3.5 The first trading day after the consumer price index is published in the month in which the future expires shall be the expiration date of futures of the same series.
- 3.6 New futures series shall be opened on the day on which the expiration date of futures occurs, as said in section 3.5 above.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

**OPTIONS ON THE TA-75 INDEX – APPENDIX - Repealed**

This English version is an unofficial translation of the official Hebrew version and has no binding force.  
The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

**FUTURES ON THE TA-75 INDEX – APPENDIX - Repealed**

This English version is an unofficial translation of the official Hebrew version and has no binding force.  
The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

## **OPTIONS ON THE TA BANKS-5 INDEX – APPENDIX**

The provisions also of this Appendix apply to TA Banks-5 Index options:

### 1. **Definitions**

In this Appendix -

#### **TA Banks-5 Index**

An index calculated and published by TASE, which refers to five shares of commercial banks traded on the TACT trading system;

#### **"TA Banks-5 Index for exercise" -**

The TA Banks-5 Index calculated on the last trading day before the exercise date, according to the opening prices of the shares included in it; however, if trading on TASE with all the shares that are included in the TA Banks-5 Index did not take place on the day that was supposed to be the last trading day of a series of options on the TA Banks-5 Index, then the closing TA Banks-5 Index price that will be determined on the next trading day after the day that was supposed to be the last trading day of the series of options on the TA Banks-5 Index shall be the TA Banks-5 Index for exercise.

#### **"Closing TA Banks-5 Index price" -**

The TA Banks-5 Index calculated at the end of each trading day, according to the closing prices of the shares included in it, unless there is a different provision in TASE Rules or in Regulations there under.;

#### **"Exercise price" -**

The NIS price set in a TA Banks-5 Index option;

#### **"Settlement price" -**

TA Banks-5 Index for exercise, multiplied by NIS 1;

#### **"underlying asset multiplier" - 100;**

### 2. **Underlying asset**

2.1 The underlying asset of the option is the TA Banks-5 Index.

2.2 The composition of the underlying asset, the list of shares included in the TA Banks-5 Index, the frequency at which the list of shares is updated and how the index is calculated shall be as prescribed in Part

Seven of TASE Rules on the listing of derivatives for trading, and in Regulations there under; if a said change was made in the list of the shares included in the index, then be no other change shall be made in the conditions of the options written before the change.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- 2.3 The aforesaid provisions of the Rules and of the Regulations, including the manner in which the index is calculated, can be changed. If such a change is made, then no other change shall be made in the conditions of the options written before the change.

If an aforesaid change is made in the Rules or in the Regulations, then notice thereof shall be given to TASE members at least thirty days before the change goes into effect.

### 3. **Option series**

- 3.1 An option series shall include call options and put options at exercise prices specified in section 4. below.
- 3.2 The term of an option series is approximately three months.
- 3.3 An option series shall include the options written during the term of the series, and there is no limit on the maximum number of options that may be written within any option series in the course of its term.
- 3.4 The term of a new option series shall start every month.
- 3.5 3.5.1 The exercise date of options of the same series shall be the last Friday of the month in which the option expires.
- 3.5.2 3.5.2.1 The trading day before the day on which the TA Banks-5 Index for exercise is determined shall be the last trading day of a series of options. However, if trading on TASE with all the shares that are included in the TA Banks-5 Index did not take place on the day that was supposed to be the last trading day of a series of options on the TA Banks-5 Index, then the last trading day of the said series of options shall be postponed to the day on which the TA Banks-5 Index for exercise will be determined.
- 3.5.2.2 If trading on TASE with all the shares that are included in the TA Banks-5 Index did not take place on part of the last trading day of the series of options, then the General Manager of TASE shall decide whether to postpone the last trading day of the series of options as said in the above paragraph 3.5.2.1.
- 3.5.3 Notwithstanding the provisions of the above subsection 3.5.1, if trading on TASE with all the shares that are included in the TA Banks-5 Index did not take place during the opening trading phase on the day that was supposed to be the last trading day before the exercise date, then the exercise date shall be on the day after the day on which trading on TASE in these shares is resumed, unless the Board of Directors of the Clearing House decides on another exercise date, and in such a case the date on which the Board of Directors decides shall be the exercise date.
- 3.5.4 If the exercise date of a series of options is postponed under section 3.5.3, then trading in the options of the same series shall not take place after the day before the original exercise date.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

3.5.5 Section 3.5.4 shall not apply if, in addition to the postponement of the exercise date, as said in section 3.5.3, the last trading day of the series of options is also postponed as said in section 3.5.2.

3.6 Repealed.

3.7 New option series shall be opened on the last trading day before the exercise date of the options said in section 3.5.1 above.

Notwithstanding the aforesaid, if the last trading day of a series of options is postponed in accordance with the provisions of the above section 3.5.2, then the new series shall be opened on the exercise date, and if that day is not a trading day, then they shall be opened on the following trading day, unless the Board of Directors of the Clearing House decided on another date for opening the new series, and in that case the date decided on by the Board of Directors shall be the opening date.

#### 4. Exercise price

4.1 The exercise prices of options of the same option series shall be determined at the end of the trading day before the beginning of the term of the option series, but additional exercise prices may be determined in the course of the term of the options as specified in section 4.4 below.

4.2 An option series shall include at least:

4.2.1 Call options at different exercise prices, as prescribed in section 4.3 below;

4.2.2 Put options at different exercise prices, as prescribed in section 4.3 below;

4.2.3 Call options with an exercise price of NIS 1.-

4.3 4.3.1. Call options and put options shall be issued at exercise prices that are included in up to  $\pm 20\%$  level range from closing TA Banks-5 index price on the day before the issue date multiplied by NIS 1.

4.3.2 The differential between the exercise prices of two adjacent options of the same series, as said in the above section 4.3.1, shall be as specified in the following table:

If the exercise price of the Option to be issued lies Within the following range	The NIS differential between adjacent options shall be as Follows:
Less than 150	5
150 to 1000	10
More than 1000	20

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

## 4.3.3 The exercise prices should be rounded as specified in the following table:

If the exercise price of the option to be issued lies within the following range:	The exercise prices should be rounded as follows:
Less than 150	To the nearest NIS 5.
150 to 1000	To the nearest NIS 10.
More than 1000	To the nearest number that can be divided by 20 without fraction.

## 4.4 Issuing additional options for the same exercise date

4.4.1 If, at the end of a trading day, the closing TA Banks-5 Index price, multiplied by NIS 1, came to stand at a level less than 20% below the highest exercise price of an option of that same series, then the MAOF Clearing House shall set additional higher exercise prices for that option series, in accordance with the price differentials under section 4.3, which shall not be more than 20% higher than the closing TA Banks-5 Index price multiplied by NIS 1, as aforesaid. Beginning with the trading day after a said determination it will be possible to write additional options for that option series.

4.4.2 If, at the end of a trading day, the closing TA Banks-5 Index price, multiplied by NIS 1, came to stand at a level less than 20% above the lowest exercise price of an option of that same series (not including options said in section 4.2.3), then the MAOF Clearing House shall set additional lower exercise prices for that option series, in accordance with the price differentials under section 4.3, which shall not be more than 20% lower than the closing TA Banks-5 Index price multiplied by NIS 1, as aforesaid. Beginning with the trading day after a said determination it will be possible to write additional options for that option series.

At the end of the each trading day the MAOF Clearing House shall set additional exercise prices (in addition to those set under the above sections 4.4.1 and 4.4.2) for two near expiration month series of options, so that the differential of exercise prices between one option and the next is as said in the Table below, and that in  $\pm 10\%$  level range from the closing TA Banks-5 Index price, multiplied by NIS 1:

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).



When the exercise price of the option that is to be issued lies within the following range:	the NIS differential between one option and the next shall be as follows:
from 150 to 400	5
above 1000	10

The exercise prices should be rounded as specified in the following table:

When the exercise price of the option that is as follows:	The exercise prices should be rounded as follows:
from 150 to 400	To the nearest NIS 5.
above 1000	To the nearest NIS 10.

Beginning with the trading day after the said determination it will be possible to write additional options for that option series.

## 5. **Risk factors**

In addition to what is said in the Profile and without derogating from what is said there, the risks involved in an investment in TA Banks-5 Index options are, inter alia, as follows:

- 5.1 A halt in trading in the shares included in the TA Banks-5 Index shares list is liable to cause also a halt in trading the options and to prevent the possibility of carrying out transactions in them; when trading is resumed, significant price fluctuations are liable to occur, which will affect substantially the prices of the options and the obligations involved therein.
- 5.2 If trading in the shares included in the TA Banks-5 Index shares list does not take place on the day that was supposed to be the last trading day before the exercise date that is liable to postpone the exercise date.

Furthermore, let it be stated that the basis of the option are five shares of commercial banks traded on the Exchange, in respect of which TASE publishes the TA Banks-5 Index; the Profile and this Appendix do not address the risks involved in investing in the shares that are included in the TA Banks-5 Index, but those risks should be kept in mind by the investor, and he should be especially aware of the fact that changes and fluctuations in the prices of the shares included in the TA Banks-5 Index exert an immeasurably great effect on the prices of the options.

## 6. **Option exercise and clearing**

The options on the TA Banks-5 Index shall be exercised at the settlement price.

7. Repealed.

## **FUTURES ON THE TA BANKS-5 INDEX – APPENDIX**

The provisions also of this Appendix apply to TA Banks-5 Index futures:

### 1. **Definitions**

In this Appendix -

#### **"TA Banks-5 Index" -**

An index calculated and published by TASE, which refers to five shares of commercial banks traded on the TACT trading system;

#### **"TA Banks-5 Index for expiration" -**

The TA Banks-5 Index calculated on the last trading day before the expiration date, according to the opening prices of the shares included in it;

However, if trading on TASE with all the shares that are included in the TA Banks-5 Index did not take place on the day that was supposed to be the last trading of a series of futures on the TA Banks-5 Index, then the closing TA Banks-5 Index price that will be set on the next trading day after the day that was supposed to have been the last trading day of the series of futures on the TA Banks-5 Index shall be the TA Banks-5 Index for expiration.

#### **"Closing TA Banks-5 Index price" -**

The TA Banks-5 Index calculated at the end of each trading day according to the closing prices of the shares included in it, unless a different provision is made in TASE Rules or in Regulations there under;

#### **"Transaction price" -**

The new shekel price of TA Banks-5 Index multiplied by one hundred, as set between buyer and seller at the time a transaction is carried out with a future;

#### **"Settlement price" -**

- a) On the expiration date - the TA Banks-5 Index for expiration, multiplied by NIS 100;
- b) On any trading day on which transactions in futures were carried out -

The weighted average of the transaction prices set in the last five transactions carried out with the future, rounded off to the nearest whole NIS, on condition that in those transactions at least twenty five futures were bought or sold;

If twenty five futures were not bought or sold in the said last five transactions - then the weighted average, rounded off as aforesaid, of the transaction prices set in the last transactions that were carried out as aforesaid and in which at least twenty five futures in the aggregate were bought or sold;

If aforesaid transactions were not carried out with twenty five futures - then the weighted average, rounded off as aforesaid, of the transaction prices set in all the transactions that were carried out as aforesaid with the future on that trading day;

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- c) On each trading day on which no transactions were carried out with the future as aforesaid - the settlement price of the future on the preceding trading day;

**"Underlying Asset Multiplier"** - 100.

2. **Underlying asset**

- 2.1 The underlying asset of the future is the TA Banks-5 Index.
- 2.2 The composition of the underlying asset, the list of shares included in the TA Banks-5 Index, the frequency at which the list of shares is updated and how the index is calculated shall be as prescribed in Part Seven of TASE Rules on the listing of derivatives for trading, and in Regulations there under; if a said change was made in the list of the shares included in the index, then no other change shall be made in conditions of the futures that were written before the change.
- 2.3 The aforesaid provisions of the Rules and of the Regulations, including the manner in which the index is calculated, can be changed; when such a change is made, then no other change shall be made in the conditions of the futures that were written before the change.

If an aforesaid change is made in the Rules or in the Regulations, then notice thereof shall be given to TASE members at least thirty days before the change goes into effect.

3. **Futures series**

- 3.1 A futures series shall include futures with the same expiration date.
- 3.2 The term of a futures series is approximately three months.
- 3.3 A futures series shall include the futures that will be written during the term of the series, and there is no limit on the maximum number of futures that may be written within any futures series in the course of its term.
- 3.4 The term of a new futures series shall start every month.
- 3.5 3.5.1 The expiration date of futures of the same series shall be the last Friday of the month in which the future expires.
- 3.5.2 3.5.2.1 The trading day before the day on which the TA Banks-5 Index for expiration is determined shall be the last trading day of a series of futures. However, if trading on TASE did not take place with all the shares included in the TA Banks-5 Index on the day that was supposed to be the last trading day for a series of options on the TA Banks-5 Index, then the last trading day of the said series of options shall be postponed to the day on which the TA Banks-5 Index for expiration will be determined.
- 3.5.2.2 If trading on TASE with all the shares that are included in the TA Banks-5 Index did not take place on part of the last trading day of the series of options, then the General Manager of TASE shall decide whether to postpone the last trading day of the series of options as said in the above paragraph 3.5.2.1.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- 3.5.3 Notwithstanding the provisions of the above section 3.5.1, if trading on TASE with all the shares that are included in the TA Banks-5 Index did not take place in the opening trading phase on the day that was supposed to be the last trading day before the expiration date, then the expiration date shall be on the day after the day on which trading on TASE in these shares is resumed, unless the Board of Directors of the Clearing House decides on a different expiration date, and in such a case the expiration date shall be on the date that the Board of Directors decided.
- 3.5.4 If the expiration date of a series of futures is postponed in accordance with section 3.5, then trading in futures of the same series shall not take place after the day before the original expiration date.
- 3.5.5 Section 3.5.4 shall not apply if – in addition to the postponement of the expiration date – the last trading day of the series of futures is also postponed, as said in section 3.5.2.
- 3.6 New series of futures shall be opened on the last trading day before the expiration date of the futures, as said in the above section 3.5.1.

Notwithstanding the aforesaid, if the last trading day of a series of futures is postponed in accordance with the provisions of the above section 3.5.2, then the new series shall be opened on the expiration date, and if that day is not a trading day, then they shall be opened on the following trading day, unless the Board of Directors of the Clearing House decided on another date for opening the new series, and in that case the date decided on by the Board of Directors shall be the opening date.

#### 4. **Risk factors**

In addition to what is said in the Profile and without derogating from what is said there, the risks involved in an investment in futures on the TA Banks-5 Index are, inter alia, as follows

- 4.1 A halt in trading in the shares included in the TA Banks-5 shares list is liable to cause also a halt in trading in the futures and to prevent the possibility of carrying out transactions in them; when trading is resumed, significant price fluctuations are liable to occur, which will affect substantially the prices of the futures and the obligations involved therein;
- 4.2 If trading in the shares included in the TA Banks-5 shares list does not take place on the day that was supposed to be the last trading day before the expiration date, then that is liable to postpone the expiration date.

Furthermore, let it be stated that the basis of the future are five shares of commercial banks traded on the Exchange, in respect of which TASE publishes the TA Banks-5 Index; the Profile and this Appendix do not address the risks involved in investing in the shares that are included in the TA Banks-5 Index, but those risks should be kept in mind by the investor, and he should be especially aware of the fact that changes and fluctuations in the prices of the shares included in the TA Banks-5 Index have a disproportionately large influence on the prices of the options.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

**OPTIONS ON THE TELTECH 15 INDEX – APPENDIX – Repealed**

This English version is an unofficial translation of the official Hebrew version and has no binding force.  
The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

**FUTURES ON THE TELTECH 15 INDEX – APPENDIX - Repealed**

This English version is an unofficial translation of the official Hebrew version and has no binding force.  
The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

## OPTIONS ON THE EURO EXCHANGE RATE – APPENDIX

The provisions also of this Appendix apply to options on the Euro exchange rate:

### 1. Definitions

In this Appendix -

#### **"Exercise price" -**

The price in new agorot set in the euro exchange rate option;

#### **"Settlement price" -**

The last euro exchange rate published before the exercise date, on a day on which trading takes place on TASE and on which a euro exchange rate in new agorot is set by the Bank of Israel;

**"Underlying asset multiplier" - 10,000;**

#### **"Euro exchange rate" -**

The representative euro exchange rate set by the Bank of Israel; however, during a period in which the Bank of Israel does not set representative exchange rates, the exchange rate last set by the Minister of Finance together with the Governor of the Bank of Israel for Government bonds linked to the U.S. euro exchange rate shall be the euro exchange rate;

### 2. Underlying asset

The underlying asset of the option is the euro exchange rate.

### 3. Option series

3.1 An option series shall include call options and put options at exercise prices specified in section 4. below.

3.2\* The term of an option series is approximately three, approximately six or approximately twelve months, as specified in section 3.4 below.

3.3 An option series shall include the options written in the course of the term of the series, and there is no limit on the maximum number of options that may be written within every option series in the course of its term.

3.4\* The term of a new option series shall start every month.

The term of a new series of three month options shall begin in January, February, April, May, July, August, October and November.

The term of a new series of six month options shall begin in March and September.

The term of a new series of twelve month options shall begin in June and December.

---

\* The amendments of sections 3.2 and 3.4 of the Appendix to the Profile, which covers euro exchange rate options, went into effect on August 28, 2002. However, two new option series will be opened on the exercise date of the option series in August 2002: one for a term of three months

- 3.5 3.5.1 The exercise date of options of the same series shall be the last Wednesday of the month in which the option expires.
- 3.5.2 Notwithstanding the provisions of subsection 3.5.1 above, if - on the day that was supposed to be the last trading day before the exercise date - trading on TASE did not take place or no euro exchange rate was set by the Bank of Israel, then the exercise date shall be postponed and shall be on the day after the next day on which trading is resumed on TASE and a euro exchange rate is set by the Bank of Israel, unless the Board of Directors of the Clearing House decides on a different exercise date, and in that case the date decided on by the Board of Directors of the Clearing House shall be the exercise date.
- 3.6 Repealed.
- 3.7 New option series shall be opened on Wednesday that falls on the exercise date of options, as said in section 3.5.1 above, and if that is not a trading day, then they shall be opened on the following trading day.

The day on which the settlement price is set shall be the last trading day of an option series.

Notwithstanding the aforesaid, if a different exercise date is set for options in accordance with the provisions of section 3.5.2 above, then the new series shall be opened on the exercise date, and if that day is not a trading day, then they shall be opened on the following trading day, unless the Board of Directors of the Clearing House decides on a different date for opening the new series, and in that case the date decided on by the Board of Directors shall be the opening date.

#### 4. **Exercise price**

- 4.1 The exercise prices of options of the same option series shall be determined at the end of the trading day before the beginning of the term of the option series, but additional exercise prices may be determined in the course of the term of the options as specified in section 4.4 below.
- 4.2 An option series shall include at least:
- 4.2.1 Call options, as prescribed in section 4.3 below;
- 4.2.2 Put options, as prescribed in section 4.3 below;
- 4.2.3 Call options with an exercise price of NIS 1.-
- 4.3 Call options and put options shall be issued at exercise prices that are included in up to  $\pm 10\%$  level range from the last published dollar exchange rate.
- 4.3.1 The differential between one option and the option of the same series that is nearest to it shall be ten agorot;
- 4.3.2 The exercise prices shall be rounded off to the nearest ten new agorot.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).



#### 4.4 Issuing additional options for the same exercise date

- 4.4.1 If the euro exchange rate in new agorot at the end of a trading day came to stand at a level less than 10% below the highest exercise price of an option of that same series, then the MAOF Clearing House shall set additional higher exercise prices for that option series, in accordance with the price differentials under section 4.3 above, which shall not be more than 10% higher than the abovementioned euro exchange rate. Beginning with the trading day after a said determination it is possible to write additional options for that option series.
- 4.4.2 If the euro exchange rate in new agorot at the end of a trading day came to stand at a level less than 10% above the lowest exercise price of an option of that same series (without the option mentioned in section 4.2.3), then the MAOF Clearing House shall set additional lower exercise prices for that option series, in accordance with the price differentials under section 4.3 above, which shall not be more than 10% lower than the abovementioned euro exchange rate. Beginning with the trading day after a said determination it is possible to write additional options for those option series.
- 4.4.3 If, at the end of the each trading day the MAOF Clearing House shall set additional exercise prices for the option series with the three nearest exercise dates, so that the price differentials between two nearest options shall be equal to five agorot for the exercise prices included in  $\pm 5\%$  level range from the last published euro exchange rate. The exercise prices shall be rounded off to the nearest five agorot.
- Beginning with the trading day after a said determination it is possible to write additional options for those option series.
- In addition to the aforesaid, at the end of the each trading day the MAOF Clearing House shall set additional exercise prices for the option series with the two nearest exercise date so that the price differentials between two nearest options shall be equal to 2.5 agorot for the exercise prices included in  $\pm 5\%$  level range from the last published euro exchange rate.
- The exercise prices shall be rounded off to the nearest 2.5 agorot.
- Beginning with the trading day after a said determination it is possible to write additional options for those option series.
- 4.4.4 If a change in the euro exchange rate occurred on a Friday, requiring the opening of additional options according to the provisions of section 4.4.1, 4.4.2 or 4.4.3, then the new options shall be written on the next Monday.

#### 5. Risk factors

In addition to what is said in the Profile and without derogating from what is said there, the risks involved in an investment in euro exchange rate options are, inter alia, as follows:

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- 5.1 It is difficult to cover the risks of an investment in options. inter alia, because of the fact that the underlying asset is not traded on TASE and that buying and selling the underlying asset is subject to the provisions of the Currency Control Law 5738-1978 and of the Currency Control Permit 5738-1978;
- 5.2 Changes in the euro exchange rate reflect the fluctuations of its exchange rate vis-a-vis other foreign currencies on international markets, the demand for and the supply of foreign currency against NIS in the Israel economy and on international markets and the policy of the Ministry of Finance and of the Bank of Israel;
- 5.3 It is possible that trading in foreign currency in Israel and the publication of foreign currency exchange rates will be halted for a short or prolonged interval;

If it turns out that the day that was supposed to be the last trading day before the exercise date is a day on which the Bank of Israel does not set a euro exchange rate, then the exercise date is liable to be postponed, as provided in section 3.5 above;

Furthermore, let it be stated that the basis of the option is the exchange rate of euro set by the Bank of Israel; the Profile and this Appendix do not address the risks involved in investing in euro, but those risks should be kept in mind by the investor, and he should be especially aware of the fact that changes and fluctuations of the euro exchange rate exert a disproportionately large influence on the prices of the options.

6. Options on the euro exchange rate shall be exercised at the settlement price.
7. Repealed.

## **FUTURES ON THE EURO EXCHANGE RATE – APPENDIX**

The provisions also of this Appendix apply to futures on the Euro exchange rate:

### 1. **Definitions**

In this Appendix -

#### **"Transaction price" -**

The price of the Euro exchange rate, in new agorot, multiplied by ten thousand, as set between buyer and seller at the time a transaction is carried out with a future;

#### **"Settlement price" -**

- a) On the expiration date - the product of the determining dollar exchange rate multiplied by the dollar/Euro exchange rate and calculated to a precision of four decimal places, multiplied by 10,000.

For this purpose -

#### **"The determining dollar exchange rate" -**

The last dollar exchange rate published before the exercise date or expiration date, as the case may be, of derivatives on the Euro exchange rate, on a day on which trading takes place on TASE and on which a dollar exchange rate is set by the Bank of Israel;

#### **"Dollar exchange rate" -**

The representative dollar exchange rate set by the Bank of Israel; however, during a period in which the Bank of Israel does not set representative exchange rates, the exchange rate last set by the Minister of Finance together with the Governor of the Bank of Israel for Government bonds linked to the U.S. dollar exchange rate shall be the dollar exchange rate;

#### **"Dollar/Euro exchange rate" -**

A rate to be calculated by TASE as the average of seven out of the nine dollar/Euro exchange rates published on the EUR CRNCY screen of the Bloomberg Company every fifteen seconds between 3:24 PM and 3:26 PM on the last day before the exercise date, on which trading takes place on TASE and on which a dollar exchange rate

is set by the Bank of Israel; in the calculation of the said average, the highest exchange rate published as aforesaid and the lowest exchange rate published as aforesaid shall not be taken into account;

The average shall be calculated to a precision of four decimal places;

notwithstanding the aforesaid, on the intermediate days of Passover and the intermediate days of Succot the average shall be calculated, as aforesaid, between 12:24 PM and 12.26 PM;

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

However, if for any reason whatsoever it is not possible to get the dollar/Euro exchange rates from the aforesaid screens of the Bloomberg Company, then the said exchange rates shall be taken from the screens of Reuters.

- b) On any trading day on which transactions in the future were carried out:

The weighted average of the transaction prices set in the last five transactions carried out with the future, rounded off to the nearest whole NIS, on condition that in those transactions at least twenty five futures in the aggregate were bought or sold;

If at least twenty five futures were not bought or sold in the said last five transactions - then the weighted average, rounded off as aforesaid, of the transaction prices set in the last transactions carried out as aforesaid, in which at least twenty five futures in the aggregate were bought or sold;

If aforesaid transactions were not carried out with twenty five futures - then the weighted average, rounded off as aforesaid, of the transaction prices set in all the transactions carried with the future out as aforesaid on that trading day;

- c) On each trading day on which no transactions were carried out as aforesaid with the future - the settlement price of the future on the preceding trading day;

**"Euro exchange rate" -**

The representative Euro exchange rate set by the Bank of Israel; however, during a period in which the Bank of Israel does not set representative exchange rates, the exchange rate last set by the Minister of Finance together with the Governor of the Bank of Israel for Government bonds linked to the Euro exchange rate shall be the Euro exchange rate;

**"Underlying asset multiplier" - 10,000.**

2. **Underlying asset**

The underlying asset of the future is the Euro exchange rate.

3. **Futures series**

3.1 A futures series shall include futures with the same expiration date.

3.2 The term of a futures series is approximately three or approximately six months, as specified in section 3.4 below; however, when trading is first opened, two series shall also be opened as a one-time occurrence with terms that shall be shorter than the aforesaid.

3.3 A futures series shall include the futures that were written in the course of the term of the series, and there is no limit on the maximum number of futures that may be written within each futures series in the course of its term

3.4 The term of a new futures series shall start every month.

The terms of new series of three month futures shall begin in January, February, April, May, July, August, October and November.

The terms of new series of six month futures shall begin in March, June, September and December.

- 3.5 3.5.1 The expiration date of futures of the same series shall be the last Wednesday of the month in which the future expires.
- 3.5.2 Notwithstanding the provisions of subsection 3.5.1 above, if - on the trading day before the expiration date - trading on TASE did not take place or no Euro exchange rate was set by the Bank of Israel, then the expiration date shall be postponed and shall be on the day after the next day on which trading takes place on TASE and a Euro exchange rate is set by the Bank of Israel, unless the Board of Directors of the Clearing House decides on a different expiration date, and in that case the date decided on by the Board of Directors of the Clearing House shall be the expiration date.
- 3.6 New option series shall be opened on Wednesday that falls on the exercise date of options, as said in section 3.5.1 above, and if that is not a trading day, then they shall be opened on the following trading day.

The day on which the settlement price is set shall be the last trading day of an option series.

Notwithstanding the aforesaid, if a different exercise date is set for options in accordance with the provisions of section 3.5.2 above, then the new series shall be opened on the exercise date, and if that day is not a trading day, then they shall be opened on the following trading day, unless the Board of Directors of the Clearing House decides on a different date for opening the new series, and in that case the date decided on by the Board of Directors shall be the opening date.

#### 4. **Risk factors**

In addition to what is said in the Profile and without derogating from what is said there, the risks involved in Euro exchange rate futures are, inter alia, as follows:

- 4.1 It is difficult to cover the risks of an investment in the futures, inter alia because of the fact that the underlying asset is not traded on TASE and that buying and selling the underlying asset is subject to the provisions of the Currency Control Law 5738-1978 and of the Currency Control Permit 5738-1978;
- 4.2 changes in the Euro exchange rate reflect the fluctuations of its exchange rate vis-a-vis other foreign currencies on international markets, the demand for and the supply of foreign currency against the shekel in the Israel economy and on international markets and the policy of the Ministry of Finance and of the Bank of Israel;
- 4.3 it is possible that trading in foreign currency in Israel and the publication of foreign currency exchange rates will be halted for a short or prolonged interval; if it turns out that the day that was supposed to be the last trading day before the expiration date is a day on which the Bank of Israel does not set a Euro exchange rate, then the expiration date is liable to be postponed, as provided in section 3.5 above;

furthermore, let it be stated that the basis of the option is the exchange rate of the Euro, which is derived from the representative dollar exchange rate and from the dollar/Euro

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

exchange rate set on international markets; the Profile and this Appendix do not address the risks involved in investing in Euros and in dollars, but those risks should be kept in mind by the investor, and he should be especially aware of the fact that changes and fluctuations in the Euro and dollar exchange rates have a disproportionately large influence on the profit or loss from an investment in futures.

## STOCK OPTIONS – APPENDIX

To stock options shall also apply the provisions of this Appendix.

The provisions of this Appendix shall apply to the equity options specified here\*:

<b>Security Name</b>	<b>Security Identifier</b>
Teva Pharmaceutical Industries Ltd. (hereinafter: Teva)	629014
ICL Israel Chemicals Ltd. (hereinafter: Israel Chemicals)	281014
Bank Leumi Le Israel B.M. (hereinafter: Leumi)	604611
Bank Hapoalim B.M. (hereinafter: Poalim)	662577
Israel Discount Bank Ltd. (hereinafter: Discount)	691212
Mizrahi Tefahot Bank Ltd. (hereinafter: Mizrahi)	695437
Bezeq The Israeli Telecommunication Corp. Ltd. (hereinafter: Bezeq)	230011
Elbit Systems Ltd. (hereinafter: Elbit Systems)	1081124
First International Bank Of Israel Ltd. (hereinafter: FIBI)	593038
G City Ltd. (hereinafter: G City)	126011
Delek Group Ltd. (hereinafter: Delek Group)	1084128
Newmed Energy Limited Partnership (hereinafter: Newmed Energy PU)	475020
The Israel Corporation Ltd. (hereinafter: The Israel Corporation)	576017
Isramco Negev 2 Limited Partnership (hereinafter: Isramco PU)	232017
Melisron Ltd. (hereinafter: Melisron)	323014
Nice-Systems Ltd. (hereinafter: Nice)	273011
Azrieli Group Ltd (hereinafter: Azrieli)	1119478
Paz Oil Company Ltd. (hereinafter: Paz)	1100007

\* Options on the shares of: Nova shares, Enlight shares, Shapir shares, Shikun & Binui shares, Clal Insurance shares, Ashtrom shares, Energix shares, Migdal Insurance shares, Ratio Participation Units, Isracard shares, Menora shares, Electra shares, Direct Finance shares, Azorim shares, Aura shares and Altshuler shares, have not yet been launched.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

<b>Security Name</b>	<b>Security Identifier</b>
Strauss Group Ltd. (hereinafter: Strauss)	746016
Partner Communications Company Ltd. (hereinafter: Partner)	1083484
Cellcom Israel Ltd. (hereinafter: Cellcom)	1101534
Harel Insurance Investments & Financial Services Ltd. (hereinafter: Harel Investments)	585018
Shufersal, Ltd. (hereinafter: Shufersal)	777037
The Phoenix Holdings, Ltd. (hereinafter: Phoenix)	767012
Oil Refineries, Ltd. (hereinafter: Bazan)	2590248
Alony Hetz Properties and Investments Ltd. (hereinafter: Alony Hetz)	390013
Nova Ltd. (hereinafter: Nova)	1084557
Enlight Renewable Energy Ltd. (hereinafter: Enlight)	720011
Shapir Engineering and Industry Ltd. (hereinafter: Shapir)	1133875
Shikun & Binui Ltd. (hereinafter: Shikun & Binui)	1081942
Clal Insurance Enterprises Holdings Ltd. (hereinafter: Clal Insurance)	224014
Ashtrom Group Ltd. (hereinafter: Ashtrom shares)	1132315
Energix- Renewable Energies Ltd. (hereinafter: Energix)	1123355
Migdal Insurance & Financial Holdings Ltd. (hereinafter: Migdal Insurance)	1081165
Ratio Energies- Limited Partnership (hereinafter: Ratio PU)	394015
Isracard Ltd. (hereinafter: Isracard)	1157403
Menora Mivtachim Holdings Ltd. (hereinafter: Menora)	566018
Tel Aviv Stock Exchange Ltd. (hereinafter: TASE)	1159029
Electra Real Estate Ltd. (hereinafter: Electra)	1094044
Direct Finance of Direct Group (2006) Ltd. (hereinafter: Direct Finance)	1168186
Azorim-Investment, Development & Construction Ltd. (hereinafter: Azorim)	715011

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).



<b>Security Name</b>	<b>Security Identifier</b>
Aura Investments Ltd. (hereinafter: Aura)	373019
Altshuler Shaham Finance Ltd. (hereinafter: Altshuler)	1184936
Big Shopping Centers Ltd. (hereinafter: Big)	1097260

## 1. **Definitions**

In this Appendix –

**"Adjustments Committee"** –

A committee to be appointed by the Board of Directors, that is competent to decide on changes in the conditions of stock options, in cases in which adjustment rights were distributed to shareholders and that is also competent to decide on changes in the conditions of stock options in the event of special corporate actions, all as specified in this Appendix;

**"Adjustment rights"** –

Rights, bonuses, dividends and any other right that requires an adjustment of the base price of the share;

**"Ex day"** –

- In respect of securities that are cleared at the end of the trading day on which the transactions were carried out – the trading day after the record date;
- In respect of securities that are cleared at on the next trading day after the trading day on which the transactions were carried out – the record date; however, if the record date is not a business day – the business day before the record date; however, if the aforesaid record date or the aforesaid business day before the record date is not a trading day – the first trading day after the record date,

**"Record date" or "determining day"** –

The day designated by the company that issued the share as the day of entitlement to a dividend, to rights, to a bonus or to any other entitlement;

**"Exercise price" –**

The price in terms of agorot, set in the option on a share, but if adjustments were made in the price of the share it is subject to a change in the exercise price being made according to a decision by the Adjustments Committee;

**"Settlement price" –**

The opening price in terms of agorot set for the share on the last trading day before the exercise date;

However, if no trading with the share took place on TASE on the day that was supposed to be the last trading day of a series of share options, the settlement price of the said share that will be set on the next trading day after the day that was supposed to be the last trading day of the said series of options on the said share shall be the settlement price;

**"Underlying asset multiplier\*" –**

According to the following table, subject to the caveat that if the price of the share that constitutes the underlying asset is subject to adjustments, the underlying asset multiplier will be adjusted as per Adjustment Committee decision.

<b>For a derivative for which the underlying asset is:</b>	<b>It shall not be greater than</b>
Teva share	1,000
Bank Hapoalim share	1,000
Bank Leumi share	1,000
ICL share	1,000
Discount Bank share	1,000
Bank Mizrahi Tefahot share	100
Bezeq share	1,000
Perrigo share	100
Nice share	100
Isramco participation unit	1,000
Delek Group share	100

\* Options on the shares of: Nova shares, Enlight shares, Shapir shares, Shikun & Binui shares, Clal Insurance shares, Ashtrom shares, Energix shares, Migdal Insurance shares, Ratio Participation Units, Isracard shares, Menora shares, Electra shares, Direct Finance shares, Azorim shares, Aura shares and Altshuler shares, have not yet been launched.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

<b>For a derivative for which the underlying asset is:</b>	<b>It shall not be greater than</b>
G City share	1,000
Elbit Systems share	100
Israel Corp share	100
Azrieli Group share	100
Newmed Energy participation unit	1,000
Paz Oil share	100
Melisron share	100
Strauss Group share	1,000
Fibi bank share	100
Partner share	1,000
Cellcom share	1,000
Harel Investments share	1,000
Shufersal share	1,000
Phoenix share	1,000
Bazan share	1,000
Alony Hetz Share	1,000
Nova share	100
Enlight share	1,000
Shapir share	1,000
Shikun & Binui share	1,000
Clal Insurance share	1,000
Ashtrom share	1,000
Energix share	1,000
Migdal Insurance share	1,000

This English version is an unofficial translation of the official Hebrew version and has no binding force. The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

<b>For a derivative for which the underlying asset is:</b>	<b>It shall not be greater than</b>
Ratio Participation Unit	1,000
Isracard share	1,000
Menora share	1,000
TASE share	1,000
Electra share	1,000
Direct Finance share	100
Azorim share	1,000
Aura share	1,000
Altshuler share	1,000
Big share	1,000

**"Ratio method" –**

A method specified below, according to which the exercise price and the underlying asset multiplier of an equity option will be adjusted, if adjustment rights are distributed to shareholders, subject to the provisions below in this Appendix.

The exercise price of an option shall be adjusted according to the following formula:

$$E_{EX} = E_{CUM} \times \frac{P_{EX}}{P_{CUM}}$$

Where –

$E_{EX}$  = the exercise price after the adjustment

$E_{CUM}$  = the exercise price before the adjustment

$P_{EX}$  = the base price of the share, ex adjustment

$P_{CUM}$  = the closing price of the share on the trading day before the ex-day

The exercise price shall be rounded off as specified in the following table:

If the exercise price in agorot of the option is within the following range:	The exercise price, in agorot, shall be rounded as follows:
Up to 1,000	To the nearest 0.01 agorot
From 1,000 to 10,000	To the nearest 0.1 agorot

This English version is an unofficial translation of the official Hebrew version and has no binding force. The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

If the exercise price in agorot of the option is within the following range:	The exercise price, in agorot, shall be rounded as follows:
Above 10,000	To the nearest 1 agorot

The underlying asset multiplier of the option shall be adjusted according to the following formula:

$$M_{EX} = M_{CUM} \times \frac{P_{CUM}}{P_{EX}}$$

Where –

$M_{EX}$  = the underlying asset multiplier after the adjustment

$M_{CUM}$  = the underlying asset multiplier before the adjustment

$P_{EX}$  = the base price of the share, ex adjustment

$P_{CUM}$  = the closing price of the share on the trading day before the ex-day

The underlying asset multiplier shall be rounded off to the nearest whole number.

**"Base price"** –

the price, in terms of agorot, set for the share as the closing price on the preceding trading day, subject to adjustments prescribed in the Regulations to the Third Part of the Rules.

**"Closing price"** –

the price, in terms of agorot, set for a share, at the end of trading with it on a certain day, as prescribed in the Regulations to the Third Part of the Rules.

## 2. **The underlying asset**\*

The underlying asset of each stock option is each one of the following securities as applicable : Teva shares, Poalim shares, Leumi shares, ICL shares, Discount shares, Mizrahi shares, Bezeq shares, Nice shares, Isramco participation units, Delek Group shares, G City shares, Elbit Systems shares, Israel Corp shares, Azrieli shares, Newmed Energy participation units, Paz Oil shares, Melisron shares, Strauss shares, FIBI shares, Partner shares, Cellcom shares, Harel Investments shares, Shufersal shares, Phoenix Holdings shares, Bazan shares, Alony Hetz Shares, Nova shares, Enlight shares, Shapir shares, Shikun & Binui shares, Clal insurance shares, Ashtrom shares, Energix shares, Migdal insurance shares, Ratio participation unit, Isracard shares, Menora shares, TASE shares, Electra shares, Direct finance shares, Azorim shares, Aura shares, Altshuler shares and Big shares .

## 3. **Option series**

\* Options on the shares of: Nova shares, Enlight shares, Shapir shares, Shikun & Binui shares, Clal Insurance shares, Ashtrom shares, Energix shares, Migdal Insurance shares, Ratio Participation Units, Isracard shares, Menora shares, Electra shares, Direct Finance shares, Azorim shares, Aura shares and Altshuler shares, have not yet been launched.

- 3.1 A series of options shall include put options and call options at exercise prices, as specified in the following section 4.
- 3.2 The period of a series of options is approximately three months. However, when trading is first opened, two additional series of options will be written on a one-time basis for periods shorter than the aforesaid.
- 3.3 A series of options shall include the options that will be written in the course of the period of the series, and there is no limit on the maximum number of options that may be written as part of each series of options in the course of its period.
- 3.4 Every month the period of a new series of options shall begin.
- 3.5
  - 3.5.1 The exercise date of options of the same series shall be the last Friday of the month in which the option expire.
  - 3.5.2
    - 3.5.2.1 The trading day before the day on which the settlement price is set shall be the last trading day of a series of options. However, if on TASE trading in the share did not take place on the day that was supposed to be the last trading day of the series of options on the said share, then the last trading day of the said series of options shall be postponed to a day on which a settlement price is set.
    - 3.5.2.2 If trading in the share did not take place on part of the last trading day of a series of options, then the General Manager of TASE shall decide whether to postpone the last trading day of the series of options, as said in the above paragraph 3.5.2.1.
  - 3.5.3 Notwithstanding the provisions of the above subsection 3.5.1, if trading in the share did not take place in the opening phase on the day that was supposed to be the last trading day before the exercise date, then the day after the day on which trading in these shares is resumed on TASE shall be the exercise date, unless the Board of Directors of the Clearing House decides on another exercise date, and in such a case the date decided by the Board of Directors of the Clearing House shall be the exercise date.
  - 3.5.4 If the exercise date of a series of options is postponed in accordance with section 3.5.3, then trading in options of that series shall not take place after the day before the original exercise date.
  - 3.5.5 Section 3.5.4 shall not apply if – in addition to a postponement of the exercise date, as said in section 3.5.3 – the last trading day of the series of options is also postponed as said in section 3.5.2.
- 3.6 New series of options shall be opened on the last trading day before the exercise date of options, as said in the above section 3.5.1.

Notwithstanding the aforesaid, if the last trading day of a series of options is postponed in accordance with the above section 3.5.2, then new series shall be opened on the exercise date, and if that day is not a trading day they shall be opened on the trading day after it, unless the Board of Directors of the Clearing House

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

decides on another date for opening new series, and in such a case the date decided by the Board of Directors of the Clearing House shall be the opening date.

#### 4. **Exercise price**

4.1 The exercise prices of options of the same series of options shall be set at the end of the trading day before the period of the new series of options begins, but additional exercise prices may be set in the course of the period of the options, as is specified in section 4.4 below.

4.2 4.2.1 A series of stock options shall include at least the following:

4.2.1.1 Call options at different exercise prices, as specified in section 4.3 below;

4.2.1.2 Put options at different exercise prices, as specified in section 4.3 below;

4.2.1.3 Call options with an exercise price NIS 1.

Notwithstanding the aforesaid, the director of trading is allowed not to issue call options with an exercise price NIS 1 if the underlying asset is traded for less than 500 Agorot.

4.2.2 Notwithstanding the aforesaid in section 4.2.1, a series of options on the participating units of Isramco shall include at least the following:

4.2.2.1 Call options at different exercise prices, as specified in section 4.3 below;

4.2.2.2 Put options at different exercise prices, as specified in section 4.3 below;

4.3 The exercise prices of options shall be as follows, subject to adjustments in the conditions of the options in the event of adjustment rights for the shares:

##### 4.3.1 **Exercise prices near the money**

4.3.1.1 For series of stock options:

Call options and put options shall be issued at exercise prices that are included in up to  $\pm 20\%$  level range from the closing price of the share on the day before the issue date at differentials as prescribed in section 4.3.2 below.

Notwithstanding the aforesaid, if the ex-day of the share falls on the last trading day before the exercise date, the exercise prices shall be as specified below:

Call options and put options shall be issued at exercise prices that are included in up to  $\pm 20\%$  level range from the base price of the share on the day of issue at differentials as prescribed in section 4.3.2 below.

4.3.1.2 Notwithstanding the aforesaid in section 4.3.1.1, for series of options on Israel Corp, for series of options on Delek Group, for

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

series of options on Partner, for series of options on Cellcom shares and for series of options on TASE shares:

Call options and put options shall be issued at exercise prices that are included in up to  $\pm 30\%$  level range from the closing price of the share on the day before the issue date at differentials as prescribed in section 4.3.2 below.

Notwithstanding the aforesaid, if the ex-day of the share falls on the last trading day before the exercise date, the exercise prices shall be as follows:

Call options and put options shall be issued at exercise prices that are included in up to  $\pm 30\%$  level range from the base price of the share on the day of issue at differentials as prescribed in section 4.3.2.

- 4.3.2 The differential of exercise prices between one option and the option of the same series next to it, as said in the above section 4.3.1, shall be as specified in the following table:

If the exercise price of the option, in agorot, to be issued lies within the following range:	The differential in agorot between adjacent option shall be as follows:
Up to 100	2
From 100 to 200	5
From 200 to 500	10
From 500 to 1,000	20
From 1,000 to 2,000	50
From 2,000 to 5,000	100
From 5,000 to 10,000	200
From 10,000 to 20,000	500
From 20,000 to 50,000	1,000
From 50,000 to 100,000	2,000
Above 100,000	5,000

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).



The exercise prices under this section shall be rounded off as specified in the following table:

If the exercise price of the option, in agorot, to be issued lies within the following range:	The exercise price in agorot shall be rounded off as follows:
Up to 100	To the nearest NIS 0.02
From 100 to 200	To the nearest NIS 0.05
From 200 to 500	To the nearest NIS 0.1
From 500 to 1000	To the nearest NIS 0.2
From 1000 to 2000	To the nearest half NIS
From 2000 to 5000	To the nearest NIS 1.
From 5000 to 10000	To the nearest NIS 2.
From 10000 to 20000	To the nearest NIS 5.
From 20,000 to 50,000	To the nearest NIS 10.
From 50,000 to 100,000	To the nearest NIS 20.
Above 100,000	To the nearest NIS 50.

#### 4.3.3 **Extreme exercise prices**

In addition to the provisions of the above section 4.3.1, four options shall also be issued at the following exercise prices:

One option shall be issued at an exercise price 50% above the settlement price of the share; a second option shall be issued at an exercise price 70% above the settlement price of the share (hereafter: "extreme exercise price number one"); a third option shall be issued at an exercise price 50% below the settlement price of the share and a fourth option shall be issued at an exercise price 70% below the settlement price of the share (hereafter: "extreme exercise price number two").

Notwithstanding the aforesaid, if the ex-day of the share falls on the last trading day before the exercise date, the exercise prices shall be as follows:

One option shall be issued at an exercise price 50% above the base price of the share on the issue day; a second option shall be issued at an exercise price 70% above the base price of the share on the issue day (hereafter: "extreme exercise price number one"); a third option shall be issued at an exercise price 50% below the base price of the share on the issue day and a fourth option shall be issued at an exercise price 70% below the base price of the share on the issue day (hereafter: "extreme exercise price number two").

The exercise prices under this section shall be rounded off as specified in the following table:

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

If the exercise price of the option, in agorot, to be introduced lies within the following range:	The exercise price in agorot shall be rounded off as follows:
Up to 100	To the nearest NIS 0.02
From 100 to 200	To the nearest NIS 0.05
From 200 to 500	To the nearest NIS 0.1
From 500 to 1000	To the nearest NIS 0.2
From 1000 to 2000	To the nearest half NIS
From 2000 to 5000	To the nearest NIS 1.
From 5000 to 10000	To the nearest NIS 2.
From 10000 to 20000	To the nearest NIS 5.
From 20,000 to 50,000	To the nearest NIS 10.
From 50,000 to 100,000	To the nearest NIS 20.
Above 100,000	To the nearest NIS 50.

**4.4 The issue of additional options of the same series for the same exercise date in a series of stock options except for the series of options listed in section 4.5 below**

- 4.4.1 If, at the end of a trading day, the closing price of the share, in terms of agorot, reaches a level that is less than 20% lower than the highest exercise price of an option of that series (other than the extreme exercise prices said in section 4.3.3 above), then the "MAOF" Clearing House shall set additional higher exercise prices for that same series of options according to the price differentials under the above section 4.3, and that up to a level that is 20% above the said closing price. Beginning with the trading day after the said closing it is possible to write additional options for the same series of options at the said additional exercise prices.
- 4.4.2 If, at the end of a trading day, the closing price of the share, in terms of agorot, reaches a level that is less than 20% higher than the lowest exercise price of an option of that series (other than the extreme exercise prices said in section 4.3.3 above), then the "MAOF" Clearing House shall set additional lower exercise prices for that same series of options according to the price differentials under the above section 4.3, and that up to a level that is 20% below the said closing price. Beginning with the trading day after the said determination it is possible to introduce additional options for the same series of options at the said additional exercise prices.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- 4.4.3 If, at the end of a trading day, the closing price of the share, in terms of agorot, rises above the base price on that trading day, then the percentage of change of the highest extreme exercise price, as compared to the closing price, according to the following formula:

$$X = 100 \times \left( \frac{Strike_h}{Spot} - 1 \right)$$

where:

- X = the percentage change  
 Strike<sub>h</sub> = the highest existing extreme exercise price  
 Spot = the closing price

If X equals 55% or less, the MAOF Clearing House shall set an additional higher extreme exercise price for that series, according to the rules under which the extreme exercise price No. 1 was set as said in the above section 4.3.3. Beginning with the trading day after the said determination it is possible to introduce additional options for the same series of options at the said additional exercise prices.

- 4.4.4 If, at the end of a trading day, the closing price of the share, in terms of agorot, dropped below the base price on that trading day, then the percentage of change of the lowest extreme exercise price, as compared to the closing price, according to the following formula:

$$X = 100 \times \left( 1 - \frac{Strike_l}{Spot} \right)$$

where:

- X = the percentage change  
 Strike<sub>l</sub> = the lowest existing extreme exercise price  
 Spot = the closing price

If X equals 60% or less, the MAOF Clearing House shall set an additional lower extreme exercise price for that series, according to the rules under which the extreme exercise price No. 2 was set as said in the above section 4.3.3. Beginning with the trading day after the said determination it is possible to issue additional options for the same series of options at the said additional exercise prices.

- 4.4.5 If the price of the share reaches the levels said in the above sections 4.4.1 or 4.4.2, then the MAOF Clearing House may in the course of the trading day set additional exercise prices for that series of options, at the discretion of the Director of Trading. About the opening of exercise prices as aforesaid notice shall be given fifteen minutes in advance. When the aforesaid fifteen minutes have elapsed after the notice was made public, additional options

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

may be issued for the same series of options at the said additional exercise prices.

- 4.4.6 At the end of the each trading day the MAOF Clearing House shall set additional exercise prices for series of options with the two nearest exercise, so that the exercise price differential between one option and the next shall be half the amount prescribed under the above section 4.3.2, and that in up to  $\pm 10\%$  level range from the closing price of the share. Beginning with the next trading day after the said determination additional options may be issued for the same series of options.

The exercise prices under this section shall be rounded off to a half of differential as specified in the abovementioned section 4.3.2.

- 4.5 Issuing additional options of the same series for the same exercise date in a series of options on Israel Corp shares, a series of options on Delek Group shares, a series of options on Partner shares, a series of options on Cellcom shares and a series of options on TASE shares.

- 4.5.1 If, at the end of a trading day, the closing price of the share, in terms of agorot, reaches a level that is less than 30% lower than the highest exercise price of an option of that series (other than the extreme exercise prices said in section 4.3.3 above), then the "MAOF" Clearing House shall set additional higher exercise prices for that same series of options according to the price differentials under the above section 4.3, and that up to a level that is 30% above the said closing price. Beginning with the trading day after the said closing it is possible to write additional options for the same series of options at the said additional exercise prices.

- 4.5.2 If, at the end of a trading day, the closing price of the share, in terms of agorot, reaches a level that is less than 30% higher than the lowest exercise price of an option of that series (other than the extreme exercise prices said in section 4.3.3 above), then the "MAOF" Clearing House shall set additional lower exercise prices for that same series of options according to the price differentials under the above section 4.3, and that up to a level that is 30% below the said closing price. Beginning with the trading day after the said determination it is possible to introduce additional options for the same series of options at the said additional exercise prices.

- 4.5.3 If, at the end of a trading day, the closing price of the share, in terms of agorot, rises above the base price on that trading day, then the percentage of change of the highest extreme exercise price, as compared to the closing price, according to the following formula:

$$X = 100 \times \left( \frac{\text{Strike}_h}{\text{Spot}} - 1 \right)$$

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

where:

X = the percentage change

Strike<sub>h</sub> = the highest existing extreme exercise price

Spot = the closing price

If X equals 55% or less, the MAOF Clearing House shall set an additional higher extreme exercise price for that series, according to the rules under which the extreme exercise price No. 1 was set as said in the above section 4.3.3. Beginning with the trading day after the said determination it is possible to introduce additional options for the same series of options at the said additional exercise prices.

- 4.5.4 If, at the end of a trading day, the closing price of the share, in terms of agorot, dropped below the base price on that trading day, then the percentage of change of the lowest extreme exercise price, as compared to the closing price, according to the following formula:

$$X = 100 \times \left( 1 - \frac{\text{Strike}_l}{\text{Spot}} \right)$$

where:

X = the percentage change

Strike<sub>l</sub> = the lowest existing extreme exercise price

Spot = the closing price

If X equals 60% or less, the MAOF Clearing House shall set an additional lower extreme exercise price for that series, according to the rules under which the extreme exercise price No. 2 was set as said in the above section 4.3.3. Beginning with the trading day after the said determination it is possible to introduce additional options for the same series of options at the said additional exercise prices.

- 4.5.5 If the price of the share reaches the levels said in the above sections 4.4.1 or 4.4.2, then the MAOF Clearing House may in the course of the trading day set additional exercise prices for that series of options, at the discretion of the Director of Trading. About the opening of exercise prices as aforesaid notice shall be given fifteen minutes in advance. When the aforesaid fifteen minutes have elapsed after the notice was made public, additional options may be written for the same series of options at the said additional exercise prices.
- 4.5.6 At the end of the each trading day the MAOF Clearing House shall set additional exercise prices for series of options with the two nearest exercise, so that the exercise price differential between one option and the next shall be half the amount prescribed under the above section 4.3.2, and that in up to ±15% level range from the closing price of the share.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

The exercise prices under this section shall be rounded off to a half of differential as specified in the abovementioned section 4.3.2.

Beginning with the next trading day after the said determination additional options may be issued for the same series of options.

#### 4.6 Delisting of call options with an exercise price NIS 1

The director of trading may delist call options with an exercise price NIS 1 which do not have open positions, if the underlying asset is traded for less than 500 Agorot.

### 5. **Risk factors**

In addition to what is said in the Profile and without derogating from its provisions, the risks involved in an investment in options on the share are, inter alia, as follows:

- 5.1 Any trading halt in a share is liable to result in an interruption of trading in options, preventing the possibility of performing transactions with them. When trading is resumed significant price fluctuations are liable to occur, which may exert a substantive effect on the price of the option and on the undertakings that are part of it.
- 5.2 If trading in a shares does not take place on a day that was supposed the last trading day before an exercise date, is liable to postpone the exercise date.
- 5.3 Whenever adjustment rights are distributed to holders of a share, changes are liable to be made in the conditions of the options on the share. Said changes may – inter alia – also affect the prices of options and the undertakings that are part of the options.
- 5.4 Special events may occur in respect of the shares (such as the appointment of receivers, full purchase offers and the like) that will cause an immediate exercise of the options.
- 5.5 It is difficult to cover the risks involved in an investment in stock options that are also traded on Stock Exchanges abroad, due to the fact that the trading days abroad of those shares are not necessarily also trading days on TASE, and also because of the fact that trading hours on Exchanges abroad differ from the trading hours on TASE.

Furthermore, let it be stated that an option is based on a share that is traded on TASE, or on a share that is traded on TASE and also on Stock Exchanges abroad. The Profile and the Appendix do not refer to the risks involved in a share investment, but the investor should keep those risks in mind and he should be especially alert to the fact that fluctuations in the price of the share have an immeasurably greater influence on the price of the options.

### 6. **Exercise and Clearing**

Stock options shall be exercised according to the settlement price of the share.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

7. **Adjustments of the specification of the options in case of adjustment rights for the shares**

- 7.1 In every instance in which adjustment rights are distributed to holders of the shares, adjustments may be made in one or more of the conditions of existing options on the shares.

When adjustment rights are distributed to holders of the shares, the exercise price and the underlying asset multiplier shall be adjusted according to the ratio method. However, in aforesaid instances in which the Manager of the MAOF Clearing House decides at his discretion that – under the circumstances of the case – adjustments should be made otherwise than under the ratio method, the Manager of the MAOF Clearing House shall convene the Adjustments Committee and that shall decide – at its discretion – whether changes should be made in the conditions of the options in consequence of adjustment rights for the shares, and which changes should be made, taking into consideration, inter alia, the orderliness and fairness of the trade.

- 7.2 7.2.1 In instances in which adjustments are made, such adjustments will be carried out on the ex-date.

7.2.2 Notwithstanding that stated in paragraph 7.1, adjustments to the terms of an option shall not be made if, at the end of the trading day preceding the ex-date, no open interest in options designated for adjustment exists.

- 7.3 Making adjustments as aforesaid is subject to the company having reported, as required on the report date, that it will distribute adjustment rights.

- 7.4 No additional options will be introduced in a series of options for which adjustments were made.

- 7.5 The Director of Trading is allowed to cancel Call options at a certain exercise price of a series that underwent adjustment when there are no open positions in respect of those options.

The Director of Trading is allowed to cancel Put options at a certain exercise price of a series that underwent adjustment when there are no open positions in respect of those options.

- 7.6 On the day on which an adjustment is made, as specified above, new series of options shall be introduced for the same exercise dates as those of the series that underwent adjustment (hereafter: "the old series").

The conditions of the said new option series shall be identical with the conditions of the old series, except for the exercise prices that shall be as follows:

- 7.6.1 In a series of stock options except for the series of options listed in section 7.6.2 below

one call option and one put option shall be issued at an exercise price equal to the base price of the share on the ex-day of the adjustment right, call options and put options shall be issued at exercise prices not more than 20% higher than the aforesaid share price, at the differentials specified in the

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

above section 4.3.2, and call options and put options at exercise prices not more than 20% lower than the aforesaid share price at the differentials specified in the above section 4.3.2.

In addition, four options shall be issued at the following exercise prices:

One option shall be issued at an exercise price 50% higher than the base price of the said share on the ex-day of the right for adjustment, a second option shall be issued at an exercise price 70% higher than the base price of the said share on the ex-day of the right for adjustment, a third option shall be issued at an exercise price 50% lower than the base price of the said share on the ex-day of the right for adjustment, and a fourth option shall be issued at an exercise price 70% lower than the base price of the said share on the ex-day of the right for adjustment.

- 7.6.2 In a series of options on Israel Corp, in a series of options on Delek Group, in a series of options on Partner, in a series of options on Cellcom shares and in a series of options on TASE shares.

one call option and one put option shall be issued at an exercise price equal to the base price of the share on the ex-day of the right for adjustment, call options and put options shall be issued at exercise prices not more than 20% higher than the said share price at the differentials specified in section 4.3.2 above and call options and put options shall be issued at exercise prices not more than 20% lower than the said share price at the differentials specified in section 4.3.2 above.

Furthermore, four options shall be issued at the following exercise prices:

One option shall be issued at an exercise price 50% above the base price of the said share on the ex-day of the right for adjustment, a second option shall be issued at an exercise price 70% above the base price of the said share on the ex-day of the right for adjustment, a third option shall be issued at an exercise price 50% below the base price of the said share on the ex-day of the right for adjustment and a fourth option shall be issued at an exercise price 70% below the base price of the said share on the ex-day of the right for adjustment.

- 7.7 If an adjustment was made according to the ratio method, then the Board of Directors of TASE may also make adjustments of the open positions limit, if that is necessary according to his judgment.

If the open position limit in new series of options was changed, it shall be checked whether the client meets the limit on positions by the following formula:

$$P_N + P_O \times \frac{PL_N}{PL_O} \leq PL_N$$

Where:

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).



- PN = the number of positions in new series that the client has on the same side
- P<sub>O</sub> = the number of positions in old series that the client has on the same side
- PLN = the open position limit in new series
- PL<sub>O</sub> = the open position limit in old series

7.8 If the Adjustments Committee decided to make an adjustment as aforesaid, then the Adjustments Committee may also make adjustments in the open positions limit, if at its discretion that is necessary and that as it shall decide.

7.9 In every instance in which it is decided to adjust the conditions of options, notice shall be given to Stock Exchange members before the ex-day about the adjustments that will be made.

8. **Adjustment of open position limitations when the underlying asset multiplier has been changed**

If a change was made in the underlying asset multiplier, the Board of Directors of TASE may make adjustments of the limitation on open positions, if it is of the opinion that that is necessary.

If a limitation on open positions was changed in consequence of a change in the underlying asset multiplier, it shall be examined whether the client complied with the limitation on open positions, as specified below:

$$P_N + P_O \times \frac{PL_N}{PL_O} \leq PL_N$$

Where:

- P<sub>N</sub> = the number of positions in new series that the client has on the same side
- P<sub>O</sub> = the number of positions in old series that the client has on the same side
- PL<sub>N</sub> = the open position limit in new series
- PL<sub>O</sub> = the open position limit in old series

9. **The handling of special corporate events**

9.1 The events specified in this section, will be handled according to the rules as specified below. However, if the manager of the MAOF Clearing House decides that a matter should be dealt with not according to the rules below, the Adjustments Committee will convene and may decide to handle it in a different manner than specified below, if it is of the opinion that the circumstances necessitate this.

**9.1.1 Appointment of a receiver**

Should trading in options be suspended because a liquidator, temporary liquidator, receiver, temporary receiver or a legally authorized administrator was appointed for a company, for the majority of its assets, for its subsidiary for which the company's holdings in it constitute the majority of the company's assets, as the case may be, the exercise date and the reference price of these options shall be as specified below:

9.1.1.1 The second trading day following the day on which trading in options was suspended, as aforesaid, shall be the exercise date of the options.

9.1.1.2 The reference price shall be one agora.

**9.1.2 Full cash tender offer for a share**

Should the trading in stock options be suspended in consequence of the receipt of a full solely cash tender offer for a share under section 337 of the Companies Law 5759-1999, the exercise date and the reference price of those options shall be as follows:

9.1.2.1 The exercise date of the options shall be the second trading day following the day on which trading in the options was suspended as aforesaid;

9.1.2.2 The reference price shall be the sum in New Israeli Shekels that the offeror shall pay for each share acquired in the share's tender offer.

**9.1.3 Suspension of trading in a share due to lack of clarity**

Should trading in options be suspended because of a lack of clarity about the share and three consecutive trading days passed since the date on which trading in the share was suspended for such lack of clarity and separate opening trading with it took place under Part Three of the Rules, the exercise date and the settlement price of those options shall be as follows:

9.1.3.1 The second trading day following the day on which separate trading in the shares takes place shall be the exercise date of the options;

9.1.3.2 The reference price shall be the price set for the share in the separate opening trading.

**9.1.4 Merger**

9.1.4.1 If there is no open interest in the stock options of a merging company at the end of the trading day on which the general shareholders' meeting approved the merger, all of the relevant stock option series shall be delisted at the end of that trading day.

9.1.4.2. No new stock options series on the shares of a merging company shall be issued following the approval of the merger by the general shareholders meeting.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

9.1.4.3. Should an announcement by the Companies Registrar regarding the approval of the merger (“the announcement”) prior to the exercise date of a series of stock options on the shares of a merging company, the exercise date and reference price of these options shall be as stipulated below:

9.1.4.1.1 The exercise date of the options shall be the second day following the day the announcement is released.

9.1.4.1.2. The reference price shall be the merging company’s closing share price on the day the announcement is released.

#### 9.1.5 **Reverse Split**

9.1.5.1 If there is no open interest in the stock options of a reverse splitting company at the end of the trading day before the reverse split Ex-date, all of the relevant stock option series shall be delisted at the end of that trading day. Instead of the aforesaid delisted series, new series will be listed on the reverse split ex-day as specified in section 7.6 above.

The multiplier of the new series will be determined so that the value of the option, in terms of the underlying asset, will be as closest as possible to the value before the ex-date and the multiplier will be 100 or 1,000.

9.1.5.2. If there is open interest in the stock options of a reverse splitting company at the end of the trading day before the reverse split Ex-date, the options will be adjusted by the "Ratio method" and as specified in section 7 above.

Notwithstanding the aforesaid in section 7.6 above regarding new option series, the multiplier of the new series will be determined so that the value of the option, in terms of the underlying asset, will be as closest as possible to the value before the adjustment and the multiplier will be 100 or 1,000.

9.2 For every other corporate event that is not mentioned in this section, the Adjustments Committee shall decide how to act, taking into consideration, inter alia the propriety and fairness of the trade.

10. The decisions of the Adjustments Committee are not subject to appeal.

## OPTIONS ON NON-LINKED GOVERNMENT BONDS – APPENDIX

To options on non-linked government bonds shall also apply the provisions of this Appendix.

The provisions of this Appendix shall apply to the options on non-linked government bonds specified here:

<b>The Bond</b>	<b>Symbol</b>	<b>ISIN</b>
IL GOV5.0 01/20	GOI0120	IL0011157737
IL GOV5.5 02/17	GOI0217	IL0011015752

In this Appendix, wherever the term "option on non-linked government bonds", "option" or "series of options" appears, the intention is as specified below:

- a. As far as an option on IL GOV5.0 01/20 bond is concerned, the contents of the Appendix refer to options on IL GOV5.0 01/20 bond or to series of options on IL GOV5.0 01/20 bond.
- b. As far as an option on IL GOV5.5 02/17 bond is concerned, the contents of the Appendix refer to options on IL GOV5.5 02/17 bond or to series of options on IL GOV5.5 02/17 bond.

In this Appendix, wherever it says "non-linked government bond", the intention is as specified below:

- a. In respect of an option on IL GOV5.0 01/20 bond, the provisions of the Appendix relate to the IL GOV5.0 01/201
- b. In respect of an option on IL GOV5.5 02/17 bond, the provisions of the Appendix relate to the IL GOV5.5 02/17 bond.

In this Appendix, wherever a "call option" or a "put option" is referred to, the intention is as specified below:

- a. wherever mention is made of an option on IL GOV5.0 01/20 bond, the provisions of the Appendix relate to a call option on IL GOV5.0 01/20 bond or to a put option on IL GOV5.0 01/20 bond, as the case may be;
- b. wherever mention is made of an option on IL GOV5.5 02/17 bond, the provisions of the Appendix relate to a call option on option on IL GOV5.5 02/17 bond or to a put option on option on IL GOV5.5 02/17 bond, as the case may be;

### 1. Definitions

In this Appendix –

**"Ex day" –**

- the record date; however, if the record date is not a business day – the business day before the record date; however, if the aforesaid record date or the aforesaid business

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

day before the record date is not a trading day – the first trading day after the record date;

**"Record date" or "determining day" –**

- the day designated as the day of entitlement to an interest rate payment;

**"Exercise price" –**

- the new shekel price, set in the option on non-linked government bond;

**"Settlement price" –**

- the opening price set for the non-linked government bonds in agorot on the last trading day before the exercise date, nominated in agorot; however, if no trading with the bond took place on TASE on the day that was supposed to be the last trading day of a series of options on non-linked government bonds, the settlement price of the said bond that will be set on the next trading day after the day that was supposed to be the last trading day of the said series of options on the said bond shall be the settlement price;

**"Underlying asset multiplier" – 100,000;**

**"Closing price" –**

- the price in agorot set for a non-linked government bond, at the end of trading with it on a certain day, as prescribed in the Regulations under Part Three of the Rules.

**"Closing price after coupon deduction" –**

- the price in agorot set for a non-linked government bond, at the end of trading with it on a certain day after deduction of discounted sum of the interest rate, expressed in agorot to be paid for 1 NIS Face Value of the bond on the next coupon payment date, calculated according to the following formula:

$$S = S_0 - \frac{C}{(1+r)^t}$$

where:

- $S_0$  - the closing price in agorot set for a non-linked government bond
- $r$  - annual rate of interest as prescribed in the section 2.2.1.5 under Chapter Eight of Derivatives By-Laws
- $t$  - the number of calendar days between the calculation date and the payment date divided by 365
- $C$  - the sum of the interest rate, expressed in agorot to be paid for 1 NIS Face Value of the bond on the next coupon payment date

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

**2. The underlying asset**

The underlying asset of an option on IL GOV5.0 01/20 bond is an IL GOV5.0 01/20 bond.

The underlying asset of an option on IL GOV5.5 02/17 bond is an IL GOV5.5 02/17 bond.

**3. Option series**

- 3.1 A series of options shall include put options and call options at exercise prices, as specified in the following section 4.
- 3.2 The period of a series of options is approximately three months. However, when trading is first opened, two additional series of options will be issued on a one-time basis for periods shorter than the aforesaid.
- 3.3 A series of options shall include the options that will be issued in the course of the period of the series, and there is no limit on the maximum number of options that may be issued as part of each series of options in the course of its period.
- 3.4 Every month a new series of options shall begin.
- 3.5
  - 3.5.1 The exercise date of options of the same series shall be the second Friday of the month in which the option expire.
  - 3.5.2
    - 3.5.2.1 The trading day before the day on which the settlement price is set shall be the last trading day of a series of options. However, if on TASE trading in the non-linked government bond did not take place on the day that was supposed to be the last trading day of the series of options on the said non-linked government bond, then the last trading day of the said series of options shall be postponed to a day on which a settlement price is set.
    - 3.5.2.2 If trading in the non-linked government bond did not take place on part of the last trading day of a series of options, then the General Manager of TASE shall decide whether to postpone the last trading day of the series of options, as said in the above paragraph 3.5.2.1.
  - 3.5.3 Notwithstanding the provisions of the above subsection 3.5.1, if trading in the non-linked government bond did not take place in the opening phase on the day that was supposed to be the last trading day before the exercise date, then the day after the day on which trading in these non-linked government bonds is resumed on TASE shall be the exercise date, unless the Board of Directors of the Clearing House decides on another exercise date, and in such a case the date decided by the Board of Directors of the Clearing House shall be the exercise date.
  - 3.5.4 If the exercise date of a series of options is postponed in accordance with section 3.5.3, then trading in options of that series shall not take place after the day before the original exercise date.
  - 3.5.5 Section 3.5.4 shall not apply if – in addition to a postponement of the exercise date, as said in section 3.5.3 – the last trading day of the series of options is also postponed as said in section 3.5.2.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- 3.6 New series of options shall be opened on the last trading day before the exercise date of options, as said in the above section 3.5.1.

Notwithstanding the aforesaid, if the last trading day of a series of options is postponed in accordance with the above section 3.5.2, then new series shall be opened on the exercise date, and if that day is not a trading day they shall be opened on the trading day after it, unless the Board of Directors of the Clearing House decides on another date for opening new series, and in such a case the date decided by the Board of Directors of the Clearing House shall be the opening date.

#### **4. Exercise price**

- 4.1 The exercise prices of options of the same series of options shall be set at the end of the trading day before the period of the new series of options begins, but additional exercise prices may be set in the course of the period of the options, as is specified in section 4.4 below.

- 4.2 A series of options shall include at least the following:

4.2.1 Call options at different exercise prices, as specified in section 4.3 below;

4.2.2 Put options at different exercise prices, as specified in section 4.3 below;

- 4.3 Call options and put options shall be issued at exercise prices that are included in up to  $\pm 3\%$  level range from the settlement price of the non-linked government bond on the day before the day of issue at differentials as prescribed in section 4.3.1 below.

Notwithstanding the aforesaid, if the ex-day of the non-linked government bond falls on the last trading day before the exercise date, the exercise prices shall be as specified below:

Call options and put options shall be issued at exercise prices that are included in up to  $\pm 3\%$  level range from the closing price after coupon deduction of the non-linked government bond price at differentials as prescribed in section 4.3.1 below.

4.3.1 The differential of exercise prices between one option and the option of the same series next to it, shall be 0.5 agorot.

4.3.2 The exercise prices shall be rounded off to the nearest 0.5 agorot.

- 4.4 The issue of additional options of the same series for the same exercise date in a series of options on non-linked government bond

4.4.1 If, at the end of a trading day, the closing price of the non-linked government bond in agorot reaches a level that is less than 3% lower than the highest exercise price of an option of that series, then the MAOF Clearing House shall set additional higher exercise prices for that same series of options according to the price differentials under the above section 4.3.1, and that up to a level that is 3% above the said closing price. Beginning with the trading day after the said closing it is possible to write additional options for the same series of options at the said additional exercise prices.

Notwithstanding the aforesaid, if the ex-day of the non-linked government bond falls before the exercise date, the exercise prices shall be as specified below:

If, at the end of a trading day, the closing price after coupon deduction of the non-linked government bond in agorot reaches a level that is less than 3% lower than the highest exercise price of an option of that series, then the MAOF Clearing House shall set additional higher exercise prices for that same series of options according to the price differentials under the above section 4.3.1, and that up to a level that is 3% above the said closing price after coupon deduction. Beginning with the trading day after the said closing it is possible to write additional options for the same series of options at the said additional exercise prices.

- 4.4.2 If, at the end of a trading day, the closing price of the non-linked government bond in agorot reaches a level that is less than 3% higher than the lowest exercise price of an option of that series, then the MAOF Clearing House shall set additional lower exercise prices for that same series of options according to the price differentials under the above section 4.3.1, and that up to a level that is 3% below the said closing price. Beginning with the trading day after the said determination it is possible to introduce additional options for the same series of options at the said additional exercise prices.

Notwithstanding the aforesaid, if the ex-day of the non-linked government bond falls before the exercise date, the exercise prices shall be as specified below:

If, at the end of a trading day, the closing price after coupon deduction of the non-linked government bond in agorot reaches a level that is less than 3% higher than the lowest exercise price of an option of that series, then the MAOF Clearing House shall set additional lower exercise prices for that same series of options according to the price differentials under the above section 4.3.1, and that up to a level that is 3% below the said closing price after coupon deduction. Beginning with the trading day after the said determination it is possible to introduce additional options for the same series of options at the said additional exercise prices.

- 4.4.3 If the price of the non-linked government bond reaches the levels said in the above sections 4.4.1 or 4.4.2, then the MAOF Clearing House may in the course of the trading day set additional exercise prices for that series of options, at the discretion of the Director of Trading. About the opening of exercise prices as aforesaid notice shall be given fifteen minutes in advance. When the aforesaid fifteen minutes have elapsed after the notice was made public, additional options may be written for the same series of options at the said additional exercise prices.

- 4.4.3 At the end of the each trading day the MAOF Clearing House shall set additional exercise prices for series of options with the two nearest

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).



expiration, so that the exercise price differential between one option and the next shall be half the amount prescribed under the above section 4.3.1, and that in up to  $\pm 1\%$  level range from the closing price of the non-linked government.

Beginning with the next trading day after the said determination additional options may be issued for the same series of options.

Notwithstanding the aforesaid, if the ex-day of the non-linked government bond falls before the exercise date, the exercise prices shall be as specified below:

At the end of the each trading day the MAOF Clearing House shall set additional exercise prices for series of options with the two nearest expiration, so that the exercise price differential between one option and the next shall be half the amount prescribed under the above section 4.3.1, and that in up to  $\pm 1\%$  level range from the closing price after coupon deduction of the non-linked government bond.

The exercise prices shall be rounded off to the nearest 0.5 agorot.

Beginning with the next trading day after the said determination additional options may be issued for the same series of options.

## 5. **Risk factors**

In addition to what is said in the Profile and without derogating from its provisions, the risks involved in an investment in options on the non-linked government bond are, inter alia, as follows:

- 5.1 Any trading halt in a non-linked government bond is liable to result in an interruption of trading in options, preventing the possibility of performing transactions with them. When trading is resumed significant price fluctuations are liable to occur, which may exert a substantive effect on the price of the option and on the undertakings that are part of it.
- 5.2 If trading in a non-linked government bond does not take place on a day that was supposed the last trading day before an exercise date, is liable to postpone the exercise date.

Furthermore, let it be stated that an option is based on a non-linked government bond that is traded on TASE and also on MTS system. The Profile and the Appendix do not refer to the risks involved in a non-linked government bond investment, but the investor should keep those risks in mind and he should be especially alert to the fact that fluctuations in the price of the non-linked government bond have an immeasurably greater influence on the price of the options.

For the purpose of this section –

"MTS system" - the trading system known under the name of MTS Israel and is operated by Euro MTS LTD;

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

**6. Exercise and Clearing**

Options on non-linked government bond shall be exercised according to the settlement price.

## OPTIONS ON THE TA-125 INDEX – APPENDIX

The provisions also of this Appendix apply to TA-125 index options:

### 1. Definitions

In this Appendix -

#### **TA-125 Index**

An index calculated and published by TASE, which refers to one hundred and twenty five shares traded on the TACT trading system;

#### **"TA-125 Index for exercise" -**

The TA-125 Index calculated on the last trading day before the exercise date, according to the opening prices of the shares included in it;

However, if trading on TASE with all the shares that are included in the TA-125 Index did not take place on the day that was supposed to be the last trading day of a series of options on the TA-125 Index, then the closing TA-125 Index price that will be determined on the next trading day after the day that was supposed to be the last trading day of the series of options on the TA-125 Index shall be the TA-125 Index for exercise.

#### **"Closing TA-125 Index price" -**

The TA-125 Index calculated at the end of each trading day, according to the closing prices of the shares included in it, unless there is a different provision in TASE Rules or in Regulations there under;

#### **"Exercise price" -**

The NIS price set in a TA-125 Index option;

#### **"Settlement price" -**

TA-125 Index for exercise, multiplied by NIS 1;

#### **"underlying asset multiplier" - 100;**

### 2. Underlying asset

2.1 The underlying asset of the option is the TA-125 Index.

2.2 The composition of the underlying asset, the list of shares included in the TA-125 Index, the frequency at which the list of shares is updated and how the index is calculated shall be as prescribed in Part Seven of TASE Rules on the listing of derivatives for trading, and in Regulations there under; if a said change was made in the list of the shares included in the index, then no other change shall be made in the conditions of the options written before the change.

2.3 The aforesaid provisions of the Rules and of the Regulations, including the manner in which the index is calculated, can be changed. If such a change is made, then no

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

other change shall be made in the conditions of the options written before the change.

If an aforesaid change is made in the Rules or in the Regulations, then notice thereof shall be given to TASE members at least 14 days before the change goes into effect.

### 3. **Option series**

- 3.1 An option series shall include call options and put options at exercise prices specified in section 4. Below.
- 3.2 The term of an option series is approximately three months. However, when trading is first opened, two additional series of options will be issued on a one-time basis for periods shorter than the aforesaid.
- 3.3 An option series shall include the options written during the term of the series, and there is no limit on the maximum number of options that may be written within any option series in the course of its term.
- 3.4 The term of a new option series shall start every month.
- 3.5 3.5.1 The exercise date of options of the same series shall be the last Friday of the month in which the option expires.
  - 3.5.2 3.5.2.1 The trading day before the day on which the TA-125 Index for exercise is determined shall be the last trading day of a series of options. However, if trading on TASE with all the shares that are included in the TA-125 Index did not take place on the day that was supposed to be the last trading day of a series of options on the TA-125 Index, then the last trading day of the said series of options shall be postponed to the day on which the TA-125 Index for exercise will be determined.
    - 3.5.2.2 If trading on TASE with all the shares that are included in the TA-125 Index did not take place on part of the last trading day of the series of options, then the General Manager of TASE shall decide whether to postpone the last trading day of the series of options as said in the above paragraph 3.5.2.1.
  - 3.5.3 Notwithstanding the provisions of the above subsection 3.5.1, if trading on TASE with all the shares that are included in the TA-125 Index did not take place during the opening trading phase on the day that was supposed to be the last trading day before the exercise date, then the exercise date shall be on the day after the day on which trading on TASE in these shares is resumed, unless the Board of Directors of the Clearing House decides on another exercise date, and in such a case the date on which the Board of Directors decides shall be the exercise date.
  - 3.5.4 If the exercise date of a series of options is postponed under section 3.5.3, then trading in the options of the same series shall not take place after the day before the original exercise date.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

3.5.5 Section 3.5.4 shall not apply if, in addition to the postponement of the exercise date, as said in section 3.5.3, the last trading day of the series of options is also postponed as said in section 3.5.2.

3.6 New option series shall be opened on the last trading day before the exercise date of the options said in section 3.5.1 above.

Notwithstanding the aforesaid, if the last trading day of a series of options is postponed in accordance with the provisions of the above section 3.5.2, then the new series shall be opened on the exercise date, and if that day is not a trading day, then they shall be opened on the following trading day, unless the Board of Directors of the Clearing House decided on another date for opening the new series, and in that case the date decided on by the Board of Directors shall be the opening date.

#### 4. **Exercise price**

4.1 The exercise prices of options of the same option series shall be determined at the end of the trading day before the beginning of the term of the option series, but additional exercise prices may be determined in the course of the term of the options as specified in section 4.4 below.

4.2 An option series shall include at least:

4.2.1 Call options at different exercise prices, as prescribed in section 4.3 below;

4.2.2 Put options at different exercise prices, as prescribed in section 4.3 below;

4.2.3 Call options with an exercise price of NIS 1.-

4.3 4.3.1. Call options and put options shall be issued at exercise prices that are included in up to  $\pm 20\%$  level range from closing TA-125 index price on the day before the issue date multiplied by NIS 1.

4.3.2 The differential between the exercise prices of two adjacent options of the same series, as said in the above section 4.3.1, shall be as specified in the following table:

If the exercise price of the Option to be issued lies Within the following range	The NIS differential between adjacent options shall be as Follows:
Less than 150	5
150 to 1000	10
More than 1000	20

4.3.3 The exercise prices should be rounded as specified in the following table:

If the exercise price of the option to be issued lies within the following range:	The exercise prices should be rounded as follows:
Less than 150	To the nearest NIS 5.
150 to 1000	To the nearest NIS 10.
More than 1000	To the nearest number that can be divided by 20 without fraction

4.4 Issuing additional options for the same exercise date

4.4.1 if, at the end of a trading day, the closing TA-125 Index price, multiplied by NIS 1, came to stand at a level less than 20% below the highest exercise price of an option of that same series, then the MAOF Clearing House shall set additional higher exercise prices for that option series, in accordance with the price differentials under section 4.3, which shall not be more than 20% higher than the closing TA-125 Index price multiplied by NIS 1, as aforesaid. Beginning with the trading day after a said determination it will be possible to write additional options for that option series.

4.4.2 If, at the end of a trading day, the closing TA-125 Index price, multiplied by NIS 1, came to stand at a level less than 20% above the lowest exercise price of an option of that same series (not including options said in section 4.2.3), then the MAOF Clearing House shall set additional lower exercise prices for that option series, in accordance with the price differentials under section 4.3, which shall not be more than 20% lower than the closing TA-125 Index price multiplied by NIS 1, as aforesaid. Beginning with the trading day after a said determination it will be possible to write additional options for that option series.

4.4.3 At the end of the each trading day the MAOF Clearing House shall set additional exercise prices (in addition to those set under the above sections 4.4.1 and 4.4.2) for two near expiration month series of options, so that the differential of exercise prices between one option and the next is as said in the Table below, and that in  $\pm 20\%$  level range from the closing Tel Aviv Bank Index price, multiplied by NIS 1:

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

When the exercise price of the option that is to be issued lies within the following range:	the NIS differential between one option and the next shall be as follows:
from 150 to 400	5
above 1000	10

The exercise prices should be rounded as specified in the following table:

When the exercise price of the option that is as follows:	The exercise prices should be rounded as follows:
from 150 to 400	To the nearest NIS 5.
above 1000	To the nearest NIS 10.

Beginning with the trading day after the said determination it will be possible to issue additional options for that option series.

## 5. **Risk factors**

In addition to what is said in the Profile and without derogating from what is said there, the risks involved in an investment in TA-125 Index options are, inter alia, as follows:

- 5.1 a halt in trading in the shares included in the TA-125 Index shares list is liable to cause also a halt in trading the options and to prevent the possibility of carrying out transactions in them; when trading is resumed, significant price fluctuations are liable to occur, which will affect substantially the prices of the options and the obligations involved therein.
- 5.2 If trading in the shares included in the TA-125 Index shares list does not take place on the day that was supposed to be the last trading day before the exercise date that is liable to postpone the exercise date.

Furthermore, let it be stated that the basis of the option are one hundred shares traded on the Exchange, in respect of which TASE publishes the TA-125 Index; the Profile and this Appendix do not address the risks involved in investing in the shares that are included in the TA-125 Index, but those risks should be kept in mind by the investor, and he should be especially aware of the fact that changes and fluctuations in the prices of the shares included in the TA-125 Index exert an immeasurably great effect on the prices of the options.

## 6. **Option exercise and clearing**

The options on the TA-125 Index shall be exercised at the settlement price.

## FUTURES ON THE TA-125 INDEX – APPENDIX

The provisions also of this Appendix apply to TA-125 index futures:

### 1. Definitions

In this Appendix -

#### **"TA-125 Index" -**

An index calculated and published by TASE, which refers to one hundred and twenty five shares traded on the TACT trading system;

#### **"TA-125 Index for expiration" -**

The TA-125 Index calculated on the last trading day before the expiration date, according to the opening prices of the shares included in it;

However, if trading on TASE with all the shares that are included in the TA-125 Index did not take place on the day that was supposed to be the last trading of a series of futures on the TA-125 Index, then the closing TA-125 Index price that will be set on the next trading day after the day that was supposed to have been the last trading day of the series of futures on the TA-125 Index shall be the TA-125 Index for expiration.

#### **"Closing TA-125 Index price" -**

The TA-125 Index calculated at the end of each trading day according to the closing prices of the shares included in it, unless a different provision is made in TASE Rules or in Regulations there under;

#### **"Transaction price" -**

The new shekel price of TA-125 Index multiplied by one hundred, as set between buyer and seller at the time a transaction is carried out with a future;

#### **"Settlement price" -**

- (a) On the expiration date - the TA-125 Index for expiration, multiplied by NIS 100;
- (b) On any trading day on which transactions in futures were carried out -

The weighted average of the transaction prices set in the last five transactions carried out with the future, rounded off to the nearest whole NIS, on condition that in those transactions at least twenty five futures were bought or sold;

If twenty five futures were not bought or sold in the said last five transactions - then the weighted average, rounded off as aforesaid, of the transaction prices set in the last transactions that were carried out as aforesaid and in which at least twenty five futures in the aggregate were bought or sold;

If aforesaid transactions were not carried out with twenty five futures - then the weighted average, rounded off as aforesaid, of the transaction prices set in all the transactions that were carried out as aforesaid with the future on that trading day;

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).



- (c) On each trading day on which no transactions were carried out with the future as aforesaid - the settlement price of the future on the preceding trading day;

**"Underlying Asset Multiplier"** - 100.

2. **Underlying asset**

- 2.1 The underlying asset of the future is the TA-125 Index.
- 2.2 The composition of the underlying asset, the list of shares included in the TA-125 Index, the frequency at which the list of shares is updated and how the index is calculated shall be as prescribed in Part Seven of TASE Rules on the listing of derivatives for trading, and in Regulations there under; if a said change was made in the list of the shares included in the index, then no other change shall be made in conditions of the futures that were written before the change.
- 2.3 The aforesaid provisions of the Rules and of the Regulations, including the manner in which the index is calculated, can be changed; when such a change is made, then no other change shall be made in the conditions of the futures that were written before the change.

If an aforesaid change is made in the Rules or in the Regulations, then notice thereof shall be given to TASE members at least 14 days before the change goes into effect.

3. **Futures series**

- 3.1 A futures series shall include futures with the same expiration date.
- 3.2 The term of a futures series is approximately three months. However, when trading is first opened, two additional series of futures will be issued on a one-time basis for periods shorter than the aforesaid.
- 3.3 A futures series shall include the futures that will be written during the term of the series, and there is no limit on the maximum number of futures that may be written within any futures series in the course of its term.
- 3.4 The term of a new futures series shall start every month.
- 3.5 3.5.1 The expiration date of futures of the same series shall be the last Friday of the month in which the future expires.
- 3.5.2 3.5.2.1 The trading day before the day on which the TA-125 Index for expiration is determined shall be the last trading day of a series of futures. However, if trading on TASE did not take place with all the shares included in the TA-125 Index on the day that was supposed to be the last trading day for a series of options on the TA-125 Index, then the last trading day of the said series of options shall be postponed to the day on which the TA-125 Index for expiration will be determined.

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

- 3.5.2.2 If trading on TASE with all the shares that are included in the TA-125 Index did not take place on part of the last trading day of the series of options, then the General Manager of TASE shall decide whether to postpone the last trading day of the series of options as said in the above paragraph 3.5.2.1.
- 3.5.3 Notwithstanding the provisions of the above section 3.5.1, if trading on TASE with all the shares that are included in the TA-125 Index did not take place in the opening trading phase on the day that was supposed to be the last trading day before the expiration date, then the expiration date shall be on the day after the day on which trading on TASE in these shares is resumed, unless the Board of Directors of the Clearing House decides on a different expiration date, and in such a case the expiration date shall be on the date that the Board of Directors decided.
- 3.5.4 If the expiration date of a series of futures is postponed in accordance with section 3.5.3, then trading in futures of the same series shall not take place after the day before the original expiration date.
- 3.5.5 Section 3.5.4 shall not apply if – in addition to the postponement of the expiration date in accordance with section 3.5.3 – the last trading day of the series of futures is also postponed, as said in section 3.5.2.
- 3.6 New series of futures shall be opened on the last trading day before the expiration date of the futures, as said in the above section 3.5.1.

Notwithstanding the aforesaid, if the last trading day of a series of futures is postponed in accordance with the provisions of the above section 3.5.2, then the new series shall be opened on the expiration date, and if that day is not a trading day, then they shall be opened on the following trading day, unless the Board of Directors of the Clearing House decided on another date for opening the new series, and in that case the date decided on by the Board of Directors shall be the opening date.

#### 4. **Risk factors**

In addition to what is said in the Profile and without derogating from what is said there, the risks involved in an investment in futures on the TA-125 Index are, inter alia, as follows:

- 4.1 A halt in trading in the shares included in the TA-125 shares list is liable to cause also a halt in trading in the futures and to prevent the possibility of carrying out transactions in them; when trading is resumed, significant price fluctuations are liable to occur, which will affect substantially the prices of the futures and the obligations involved therein;
- 4.2 If trading in the shares included in the TA-125 shares list does not take place on the day that was supposed to be the last trading day before the expiration date, then that is liable to postpone the expiration date.

Furthermore, let it be stated that the basis of the future are one hundred shares of traded on the Exchange, in respect of which TASE publishes the TA-125 Index; the Profile and this Appendix do not address the risks involved in investing in the shares that are

This English version is an unofficial translation of the official Hebrew version and has no binding force.

The only binding version is the official Hebrew version. (Please see Notes on the Translation and Disclaimer).

included in the TA-125 Index, but those risks should be kept in mind by the investor, and he should be especially aware of the fact that changes and fluctuations in the prices of the shares included in the TA-125 Index have a disproportionately large influence on the prices of the options.