

BY-LAWS
of the
TEL AVIV
STOCK EXCHANGE
CLEARING HOUSE LTD.

Part One - General

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
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CHAPTER ONE - DEFINITIONS AND INTERPRETATION

1. The terms in the By-Laws shall be interpreted within their meanings in the Securities Law 5728-1968, in TASE Rules and in regulations under them, unless it is explicitly stated otherwise.
2. The following terms shall have the following meaning:

Terms	Definitions
"Actual balance"	- the balance of a security, for which the consideration was finally cleared at the Bank of Israel or the balance of that security that was transferred to the member for no consideration;
"available for lending account"	- a subaccount intended solely for conducting lending, in which securities intended for lending are lodged;
"Balance to deliver"	- the balance of the quantity that a selling member in a TASE transaction or a member who transfers to custody (on TASE) must deliver to the buying member or to the transferee member, as the case may be, in a pending transaction or in a failed transaction.
"Balance to receive"	- the balance of securities that a member who buys in a transaction on TASE or a transferee member in a transfer to custody (on TASE) is entitled to receive from the selling member or from the transferor member, as the case may be, in a pending transaction or in a failed transaction;
"Bank of Israel"	- within the meaning thereof in the Bank of Israel Law, 5770-2010";
"Bank with a high short term rating"	<ul style="list-style-type: none"> - a bank with a short term rating as follows: <ul style="list-style-type: none"> - a rating of P-2 or higher, according to the rating table of Moody's; or – - a rating of A-2 or higher, according to the rating table of Standard and Poor; or - a rating of F1 or higher, according to the rating table of Fitch; or - a rating of A-1 or higher, according to the rating table of Ma'alot. <p style="margin-left: 40px;">on condition that none of the above rating companies rated it lower than the rating specified above;</p>

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Terms	Definitions
"Bank"	- within the meaning thereof in the Banking (Licensing) Law, 5741-1981;
"Bilateral payment order"	- a payment order that includes the debit of one monetary account and the credit of another monetary account in the same amount;
"Board of Directors"	- the company's Board of Directors or a Board of Directors Committee appointed and empowered by the Board of Directors.
"business day" or "clearing day"	- a day on which the Bank of Israel performs monetary activity in the appropriate currency in case, unless there is a different provision in the By-Laws;
"By-Laws"	- the By-Laws, as they will be from time to time;
"cash repurchase"	- an off TASE transaction, in which the Ministry of Finance buys Government bonds against monetary consideration, in order to withdraw them from the Clearing House;
"ceiling for debiting in dollars"	- the maximum amount that the Clearing House is entitled to debit against the monetary account of a member who performs monetary clearing for the total of dollar clearances cleared for the NCHM for which it clears and that were carried out in the course of each business day.
"claim service"	- a claim service provided to members by TASE, as specified below in Chapter Five of Part Two of the By-Laws;
"Clearing House"	- the Company and also the Clearing House operated by it;
"Company"	- the Stock Exchange Clearing House Ltd., which is number 52-002715-2 on the Companies Register;
"conversion"	- a conversion or the exercise of a security or the exercise of rights;
"corporate event"	- an event, in consequence of which conditions of securities issued by a company or obligations of the company under the said securities change, such as final redemption, partial redemption, voluntary early redemption of a debentures fund, capital amalgamation, capital reduction, share split, share amalgamation, company amalgamation, forced conversion, company split, an exchange of securities, cancellation of

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Terms	Definitions
	securities and purchase offers;
"custodian"	- a member with which securities are registered to a client's credit;
"custodial member"	- a member whose activity is confined solely to custody activity;
"daily net balance"	- the amount found by adding all the net debit balances on a certain business day;
"day of receipt"	- on a day that is a trading day – the day on which the order, document or payment was received at the Clearing House, if received at the Clearing House by 12:00 noon of that day, or the first following trading day, if received at the Clearing House after 12:00 noon of that day, except where the By-Laws provide otherwise. On a day that is a business day, but not a trading day – the day on which the order, document or payment was received at the Clearing House, if received at the Clearing House by 11:00 AM of that day, except where the By-Laws provide otherwise.
"DCS"	- (dual clearing security) – foreign DCS and Israeli DCS;
"debenture exchange traded fund (ETF)"	- an ETF, within its meaning in the TASE Rules, the underlying asset of which is a debentures index.
"debit ceiling"	- the maximum amount that the Clearing House may debit against the account of an MPMC for all the multilateral clearings of an NCHM, for which it clears and which were carried out in the course of one business day;
"Derivatives (MAOF) Clearing House"	- the Derivatives (MAOF) Clearing House Ltd.;
"DF or Delivery free"	- withdrawal of a DCS from the Clearing House account at DTC or of an ECS from the Clearing House account at Euroclear, as the case may be ;
"dollar"	- U.S. dollar;
"DR transfer"	- a transfer of shares by a member in order to create or to cancel a GDR/ADR (hereinafter: DR), carried out from the account of the member's client to the account of the issuer of

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Terms	Definitions
	the DR, or from the account of a said issuer to that client's account.
"DTC"	- The Depository Trust Company – the clearing house that provides security clearing and custody services in the United States;
"ECS"	- a security cleared through both the Clearing House and through Euroclear.
"Euroclear"	- Euroclear Bank SA/NV – a European clearing house that provides clearing and custody services for securities.
"failed transaction"	- a pending transaction that was not cleared up to the date set in the By-Laws for its clearing and became a failed transaction and was marked as such in the clearing system.
"First leg"	- the transfer of Repo certificates by the transferor to the transferee against transfer of the consideration by the transferee to the transferor;
"Foreign company"	- a company incorporated abroad, which is listed for trading on TASE;
"Foreign DCS"	- the security of a foreign company cleared through both the Clearing House and through DTC;
"Fund" or "Mutual Fund"	- a Fund, as defined in the Mutual Investment Trusts Law 5754-1994;
Government bond"	- a bond issued under the Government Loan Law 5739-1979;
"Inventory"	- securities entered at the Clearing House to the members' credit;
"Israeli DCS"	- the security of a company incorporated in Israel cleared through both the Clearing House and through DTC;
"lending book"	- A listing of all the lending offers submitted to the Clearing House but not yet accepted;
"lending fee"	- a daily payment paid to the lender by the borrower over the course of the lending period in respect of lending conducted through the Clearing House's lending pool;

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“lending offer”	- an offer from a member to lend a security through the Clearing House’s lending pool;
“lending transaction”	- a transaction through the Clearing House’s lending pool, whereby a lender lends to a borrower and the borrower borrows from the lender a security, against the payment of a lending fee;
“lending transaction with an early termination option (recourse)”	- a lending transaction according to the terms of which the lender or the borrower may give notice of termination at any time during the course of the lending period specified in the offer terms;
“lending transaction without an early termination option (non- recourse)”	- a lending transaction according to the terms of which the lender or the borrower may not give notice of termination at any time during the course of the lending period;
"loan return transfer "	- a transfer, not for monetary consideration, of securities that have been lent, other than within the framework of the Clearing House’s lending pool, from the account of the member in which the borrower's account is kept to the account of the member, in which the lender's account is kept;
"loan transfer"	- a transfer, not for monetary consideration, of securities that have been lent, other than within the framework of the Clearing House’s lending pool from the account of the member in which the lender's account is kept to the account of the member, in which the borrower's account is kept;
Manager of the Clearing House	- the person appointed by the Board of Directors, on the recommendation of the CEO of TASE, as Chief Executive Officer of the Clearing House or his stand-in.
"member that clears for NCHM"	- a member that, under an agreement with an NCHM, performs monetary and securities clearing for the NCHM;
"member"	- whoever was accepted as member of the Clearing House in accordance with the provisions of the By-Laws
"member's obligations"	- including all of a member's obligations of any kind whatsoever toward the Clearing House, existing or future, renewable or conditional, limited or unlimited, under the By-Laws, under any agreement and under any statute, as they will be from time to time, and including – but without

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derogating from the generality of the aforesaid – all the member's obligations to the Clearing House in connection with the following:

- a. for the performance of transactions and acts for itself or for its clients; and –
- b. for the performance of transactions and acts by an NCHM, for which the member is responsible under the By-Laws, whether for the NCHM or for the clients of the NCHM; and –
- c. for the performance of transactions and acts by an NBM, for which the member is responsible under the By-Laws, whether for the NBM or for the clients of the NBM; and –
- d. for the performance of transactions and acts by a PD or by a Repo participant, for which the member is responsible under the By-Laws, whether for the PD or for the clients of the PD, for the Repo participant or the clients of the Repo participant; and –
- e. all the member's obligations toward the Clearing House in connection with his share of the Risk Fund.

"monetary account"

- the account of a member that is a bank, kept at the Bank of Israel and intended for the performance of monetary credits and debits by the Clearing House;

"MPMC"

- (member that performs monetary clearing) – a member that is a bank and participates in the RTGS System, which – under an agreement with an NBM – performs monetary clearing for the NBM;

"MPRT"

- a member included in the list of participants in Repo transactions in the MTS system, as communicated to the Clearing House by MTS, the equity capital of which is less than the minimum equity required under the By-Laws in order to receive clearing services for Repo transactions from the Clearing House (and that as long as it is included in the said list).

"MTS contract"

- the contract concluded by the Clearing House and MTS with all its attachments, as amended from time to time, according to which the Clearing House was appointed to provide clearing services in Israel in respect of transactions that will be carried out on the MTS system;

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"MTS security"	- a Government bond traded on the MTS system, the Clearing House having agreed to clear the transactions carried out with it.
"MTS system"	- the trading system known under the name of MTS Israel and operated by MTS;
"MTS"	- MTS S.p.A., the company that operates the MTS system;
"multilateral clearing window"	- a time interval, during which the Clearing House sends multilateral payment orders to the System, in accordance with the System Rules;
"multilateral payment orders"	- payment orders that include debits and credits of three or more monetary accounts, the debits and credits thereof totaling zero;
"NBM" (non-bank member)	- a member that is not a bank;
"NCHM" (not a Clearing House member)	- a member of TASE that is not a member, including a candidate for membership in TASE
"net balance to deliver"	- the differential between the total amount of all the member's balances to deliver and the total amount of all of that same member's balances to receive in respect of a certain security, provided the differential is positive;
"net balance"	- the amount found by setting off the monetary credit balances and the monetary debit balances of a member, which stem from all the multilateral clearing orders that were sent to be carried out during a multilateral clearing window;
"NMP" (non-member participant)	- whoever is included in the list of participants in Repo transactions on the MTS system, as communicated by MTS to the Clearing House, and who is not a member (and that as long as he is included in the said list);
"nominee company"	- a nominee company as defined in the Securities Law. Notwithstanding the aforesaid, for the purposes of these By-Laws, in respect of Government bonds – the Ministry of Finance or whoever shall be designated by it shall be

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	considered the nominee company, and in respect of short-term loans – the Bank of Israel or whoever shall be designated by it shall be considered the nominee company;
"off TASE transaction"	- a TASE transaction or a transfer to custody (on TASE) that is not a TASE transaction;
"open Repo transaction"	- a Repo transaction in which the time for first leg clearing has come, but the time for second leg clearing has not yet come.
"order for removal from the Clearing House's lending pool"	- an order from a member to remove inventory from an available for lending account to another subaccount of that member;
"overnight transaction"	- a Repo transaction, for which first leg clearing is carried out on the day on which the Clearing House received a proper notice that the transaction was carried out, as required under Chapter Nineteen "A" in Part Two of the By-Laws;
"payment day"	- the day designated by the issuer as day for the payment of any amount or for the grant of any right, on condition that that day is a business day. If an issuer designated a payment day on a day that is not a business day, the payment day shall come on the first following business day.
"pending transaction"	- a transaction on TASE or a transfer to custody (on TASE) that was not cleared at the time set in the By-Laws for its clearing, because there was no actual balance of sufficient quantity in the subaccount to which the transaction or the transfer to the custodian (on TASE) relates
"primary dealer" or "PD"	- whoever is included in the list of participants in transactions that are not Repo transactions in the MTS system, as communicated to the Clearing House by MTS, and who is not a member (and that as long as he is included in the said list);
"reclaim order"	- a member's order to return inventory deposited to his credit in the Clearing House's account with the DTC, to the DTC member which deposited the aforesaid inventory.
"Repo participant"	- an NMP and an MPRT;
"Repo security"	- a Government bond or short term loan, with which Repo transactions may be carried out on the MTS system, the Clearing House having agreed to clear the Repo transactions

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	carried out with it.
"Repo transaction collateral"	- collateral provided by a member in Repo transactions, as specified in Chapter Nineteen "B" in Part Two of the By-Laws and used as surety for performance of all of the member's obligations toward the Clearing House;
"Repo transaction"	- a transaction for the repurchase of securities, as defined in the Financial Assets Agreements Law 5766-2006, that is carried out on the MTS system, in the course of which one party to the transaction ("the transferor") transfers to the other party to the transaction ("the transferee") Repo certificates for consideration, and according to which – <ul style="list-style-type: none"> a. the transferee is entitled to carry out any transaction in the Repo certificates, including their sale to another; b. at the end of a pre-agreed term the transferee will transfer to the transferor Repo certificates of the same type, all for pre-determined amount or according to a pre-determined manner of calculation.
"representative member"	- a Clearing House member, whom a Fund Manager appointed to represent the Fund that it manages in its dealings with the Clearing House;
"repurchase"	- repurchase against cash or in exchange.
"reverse Repo with the Bank of Israel (cash)"	- an off-TASE transaction between a member and the Bank of Israel, as part of which the member transfers short-term loan certificates, Government bonds or corporate debentures to the Bank of Israel against cash, or as part of which the Bank of Israel transfers short-term loan certificates, Government bonds or corporate debentures to the member against cash.
"reverse Repo with the Bank of Israel (MTM)"	- an off-TASE transaction without monetary clearing, as part of which the Bank of Israel transfers Government bonds, short term loans or corporate debentures to a member or as part of which the member transfers Government bonds, short term loans or corporate debentures to the Bank of Israel, and which – according to notification from the Bank of Israel – is carried out in consequence of a reverse Repo with the Bank of Israel (cash);

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"reverse Repo with the Bank of Israel"	- a reverse Repo with the Bank of Israel (cash) or a reverse Repo with the Bank of Israel (MTM).
"RF" or "Receive free"	- the deposit of a DCS in the Clearing House account at DTC or of an ECS in the Clearing House account at Euroclear, as the case may be ;
"Risk fund collateral"	- collateral provided by a member for the Risk Fund in accordance with Chapter Three in Part One of the By-Laws and used as surety for the performance of all of the member's obligations toward the Clearing House;
"RTGS System Rules" or "System Rules"	- the Rules of the RTGS System, as prescribed by the Bank of Israel and as they will be from time to time;
"RTGS System" or "the System"	- a system for same day real time clearing of payments, managed by the Bank of Israel;
–"Second leg"	- the transfer of Repo certificates by the transferee to the transferor against transfer of the consideration by the transferor to the transferee;
"securities"	- securities within the meaning of that term in section 52 of the Securities Law, other than derivatives, which are registered for trading on TASE, and any other security in accordance with a Board of Directors decision;
"share exchange traded fund (ETF)"	- an ETF, within its meaning in the TASE Rules, the underlying asset of which is a share index;
"short term loan" or "Makam"	- a bond issued under the Short Term Loan Law 5744-1984;
"swap"	- an off TASE transaction, in which the Ministry of Finance buys Government bonds against other Government bonds, in order to withdraw them from the Clearing House;
"TASE transaction"	- the purchase or sale of a security carried out in the course of trading on TASE or in the course of trading on MTS;
"TASE"	- the Tel Aviv Stock Exchange Ltd;
"the Clearing"	- the lending pool established and operated by the Clearing

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House's lending pool"	House for the purpose conducting the lending of securities between Clearing House members;
"trading day"	- a day on which trading takes place on TASE;
"transfer to custody (off TASE)"	<ul style="list-style-type: none"> - each of these: <ul style="list-style-type: none"> a. a transfer of securities carried out in continuation and immediately after an off TASE transaction, on condition that the said transfer does not include any transfer of the securities' ownership and all the conditions prescribed in sub-paragraph 1) or all the conditions prescribed in sub-paragraph 2) below hold true for it, as follows: <ul style="list-style-type: none"> 1) the securities are transferred from an account in the client's name, which is kept with a TASE member who bought the securities for that client or from a general clients account kept by the TASE member who bought the securities for that client, in which the securities were held for that client, to an account in the name of that same client kept with that client's custodian or to a general clients account kept by a custodian, in which the said securities will be held for that client. 2) the securities are transferred from an account in a client's name which is kept with the custodian of that client or from a general clients account kept by a custodian, in which the securities are held for that client, to an account in that client's name kept with another TASE member who sold the securities for that client or to a general clients account with another TASE member who sold the securities for that client. b. a transfer of securities carried out in continuation and immediately after a TASE transaction, on condition that the said transfer does not include any transfer of the securities' ownership and all the conditions prescribed in sub-paragraph 1), all the conditions prescribed in sub-paragraph 2) or all the conditions prescribed in sub-paragraph 3) below hold true for it, as follows: <ul style="list-style-type: none"> 1) a transfer of securities in respect of which all the conditions required for a transfer to custody (on TASE) have been complied with, except for the provision according to which the transfer is made

Terms**Definitions**

against the transfer of at least 99.5% of the monetary consideration set for TASE transaction;

2) the securities are transferred from a general clients account kept by TASE member who bought the securities for a client and in which the securities were held for that client, to that client's account that is kept by that client's custodian or to a general clients account kept by a custodian, in which the securities will be kept for that client;

3) the securities are transferred from an account in the client's name with that client's custodian or from a general clients account kept by the custodian, in which the securities are held for that client to a general clients account with another TASE member who sold the securities for that same client.

c. A transfer of securities carried out in continuation and immediately after a TASE transaction, or in continuation and immediately after an off-TASE transaction, and to which a custodial member is a party, on condition that the said transfer does not include any transfer of the securities' ownership;"

**"transfer to custody
(on TASE)"**

- A transfer of securities carried out in continuation and immediately after a TASE transaction against the transfer of at least 99.5% of the monetary consideration set in TASE transaction, on condition that a said transfer does not include any transfer of the securities' ownership, that a custodial member is not a party to which, and that all the conditions prescribed in sub-paragraph a. or all the conditions prescribed in sub-paragraph b. hold true for it, as follows:

a. the securities are transferred from an account in the client's name, which is kept with a TASE member who bought the securities on TASE for that client, to an account in the name of that same client kept with that client's custodian or to a general clients account kept by a custodian, in which the said securities will be held for that client.

b. the securities are transferred from an account in the client's name which is kept with the custodian of that client or from a general clients account kept by a custodian, in which the securities are held for that client, to an account in that client's name kept with another

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	TASE member who sold the securities on TASE for that client,
"transfer to custody"	- transfer to custody (on TASE) and transfer to custody (off TASE);
"transferring securities without monetary consideration"	<ul style="list-style-type: none"> - a transfer without consideration between accounts owned by the same client; - a transfer without consideration between spouses or between them and their children up to age eighteen; - a transfer without consideration between divorced spouses (in consequence of their divorce); - a transfer without consideration that stems from an inheritance order; - a transfer without consideration between relatives; A relative for this purpose – a brother, sister, parent, grandparent, offspring and offspring of spouse, and a spouse of each of these; also, the offspring of a brother or sister and a brother or sister of a parent. - a transfer from an issuing center to the accounts of TASE members who acquired securities at issue;
3.	Wherever the By-Laws prescribe that an act be performed on a certain day, that shall be on a trading day, unless explicitly prescribed otherwise in the By-Laws or if a different time was set in Board of Directors decisions, which make provisions in general or for a specific case; an aforesaid Board of Directors decision may digress from the provisions of the By-Laws.
4.	<ul style="list-style-type: none"> a. <ul style="list-style-type: none"> 1) Wherever the By-Laws require consent or approval by the Board of Directors of the Clearing House, those shall be given by the Board of Directors or, subject to the provisions of the law, by a person to whom the Board of Directors of the Clearing House delegated its powers, as the case may be, unless the By-Laws make a different provision. 2) Wherever the By-Laws require consent or approval by the Clearing House those shall be given by the Manager of the Clearing House or by a person authorized by him, as the case may be, or by a person to whom any one of these delegated his powers, as the case may be, unless the By-Laws make a different provision. b. <ul style="list-style-type: none"> 1) Wherever the By-Laws vest any powers in the Board of Directors of the Clearing House, those powers shall be used by the Board of Directors of the Clearing House or, subject to the provisions of the law, by a person to whom

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the Board of Directors of the Clearing House delegated any of its powers, as the case may be, unless the By-Laws make a different provision.

- 2) Wherever the By-Laws vest any powers in the Clearing House, those powers shall be used by the Manager of the Clearing House or by a person authorized by him, as the case may be, or by a person to whom any one of these delegated his powers, as the case may be, unless the By-Laws make a different provision.
5.
 - a. All notifications or orders shall be given to the Clearing House in writing on the form prescribed by it, and the Clearing House shall be under no obligation to act if a notification or order was not given according to the appropriate form; if the Clearing House agreed to act on a notification or order that was not complete or was not given on the appropriate form, that shall not be taken to be its consent in general, but only as pertaining to the special case at hand.
 - b. The CEO of the Clearing House may permit the Clearing House to accept orders or notifications by facsimile, electronic communication between computers or any other means, as he shall prescribe, and that on conditions that shall be set by him.
 - c. The following shall apply to notifications or orders given to the Clearing House:
 - 1) all records of the Clearing House in respect of an order, including a clearing order, or a notification shall be proof that the member or the NCHM addressed the Clearing House, of the contents of the order or notification, of the time when it was delivered to the Clearing House and of time when it was received by the Clearing House.
 - 2) an order, including a clearing order, received at the Clearing House, is irrevocable, except where the By-Laws provide otherwise.
 - 3) the Clearing House shall be exempt of all responsibility for any damage that is liable to be caused by any fault or error in the contents of the order or notification or in consequence of the fact that it was given by a person not competent to give it.
 - d. It is the member's responsibility to keep abreast of the reports sent to him by the Clearing House. The member must check that the data in each report are correct, he must inform the Clearing House of any item not in line with his information and he must see to its correction or completion, as may be necessary. The Clearing House is not responsible for checking the reports.

Every report sent to a member, for which no remarks were received from the member within five days after the report was sent, shall be deemed a final report and it shall obligate the member for all intents and purposes.
 6. The By-Laws shall apply to the members and also – mutatis mutandis – to all persons who are served by the Clearing House and are not members.
 7. The headings in the By-Laws are included for the sake of convenience only, and they shall not be used for purposes of interpretation.
 8. The Clearing House shall give notice of amendments of the By-Laws by posting them on TASE internet site, the address of which is www.maya.tase.co.il.

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Aforesaid amendments shall go into effect on the date of their aforesaid posting, unless a different provision is made in the amendment notice

9. In these By-Laws –

Terms	Definitions
a. “clearing order”	- any order in the By-Laws that, in essence, is a clearing order, even if not expressly referred to as such;
b. “arrangements for early termination”	- any order in the By-Laws that, in essence, is an arrangement for early termination, even if not expressly referred to as such;
c. “arrangement for determining rights, obligations and ways of making an accounting”	- any order in the By-Laws that, in essence, is an arrangement for determining rights, obligations and ways of making an accounting, even if not expressly referred to as such;
d. “arrangement for determining fair value”	- any order in the By-Laws that, in essence, is an arrangement for determining fair value, even if not expressly referred to as such;
e. “clearing act”	- any order in the By-Laws that, in essence, is a clearing act, even if not expressly referred to as such;
f. “failure arrangements”	- any order in the By-Laws that, in essence, is a failure arrangement, even if not expressly referred to as such;
g. “net calculation arrangement”	- any order in the By-Laws that, in essence, is a net calculation arrangement, even if not expressly referred to as such;
10. a.	A clearing order is considered to be irrevocable from the time, according to the Clearing House’s records, when the order was actually received by the Clearing House, except where the By-Laws provide otherwise.
b.	The Clearing House’s recording of a clearing order cannot be canceled, altered or made subject to a demand that the Clearing House not carry out a clearing act directly or indirectly related to the order, except as provided in these By-Laws.
11. a.	A clearing act shall be considered final if the following conditions are fulfilled: <ol style="list-style-type: none"> 1) In the case of a clearing act that consists solely of a transfer of securities – the clearing act shall be considered final at the time when the Clearing House actually credits the account of the transferee member and actually debits the account of the transferor member.

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- 2) In the case of a clearing act that consists solely of a transfer of money – the clearing act shall be considered final at the time when, under the rules of the RTGS system, the credit or debit, as the case may be, became final.
- 3) In the case of a transfer of securities for consideration – the clearing act shall be considered final at the time when the following conditions are fulfilled:
 - (a) The account of the transferor member has actually been debited with the securities and the account of the transferee member has actually been credited with the securities.

And –

- (b) The crediting of the monetary account of the transferor member or of the MPMC for the transferor member and the debiting of the monetary account of the transferee member or of the MPMC for the transferee member, with the consideration, has become final, under the rules of the RTGS system.
 - b. If a clearing act has been carried out, the Clearing House cannot be asked to cancel it, except as provided in these By-Laws.
12. From the time that the clearing act became final, all the obligations arising from the clearing act shall be considered to be obligations that were fulfilled.

CHAPTER TWO - CLEARING HOUSE MEMBERSHIP

1. General

- a. Whoever was a member on April 1, 2001, shall be a member, and also whoever was accepted as a member in accordance with the By-Laws.
- b. The members shall, by the fact of their membership, be subject to the provisions of the By-Laws, as they stand from time to time, and to all Board of Directors decisions, and they must comply with them.
- c. The Board of Directors may impose obligations on the members, either by a general provision applicable to all members or by a special provision applicable to a specific member or to a category of members or to a specific category of activities.
- d. Membership requires approval by the Board of Directors.
- e. Monetary values under this section will be linked to the CPI and updated annually on January 1st (hereinafter: "**the date of update**"), at the rate of increase of the record CPI over the base CPI.

The aforesaid shall also apply to a payment added during the year, after the date of the preceding update

If the record CPI is less than or equivalent to the base CPI, for the purpose of calculating the update, the record CPI shall be deemed as equivalent to the base CPI.

For the purposes of this section:

"CPI" - The Consumer Price Index published by the Central Bureau of Statistics or any other index that supersedes it, rounded to the two digits after the decimal point.

"Base CPI" – The latest CPI known on the date of the previous date of update.

"Record CPI" – The latest CPI known on the date of update.

Amounts stipulated in sections 2 and 2a below resulting from the aforesaid update will be rounded to the nearest one hundred thousand NIS.

Amounts payable, as stipulated in section 3. below, resulting from the aforesaid update will be rounded to the nearest one NIS.

The amounts payable, as stipulated in section 3. Below, do not include VAT. Therefore, VAT, as required by law, will be added to each such payment. After inclusion of VAT, the resulting amount will be rounded to the nearest one NIS.

2. Membership Qualifications for a TASE Member

- a. A TASE member applying to be accepted as a member must comply with the following conditions:
 - 1) it has equity that shall not be less than the following amounts:
for the purposes of this section –
"equity" –

in respect of a member that is a bank: equity according to accepted accounting rules;

in respect of a member that is not a bank – equity within its meaning in Part One of the TASE Rules.

- a) (1) the equity required of a member that is not a bank and that is not included in the list of participants in Repo transactions on the MTS system, as delivered to the Clearing House by MTS, shall not be less than the equity required of a TASE member that is a member, as specified in Part One of the TASE Rules.
- (2) the equity required of a member that is not a bank and that is included in the list of participants in Repo transactions on the MTS system, as delivered to the Clearing House by MTS, shall not be less than the equity required of a TASE member that is a member, as specified in Part One of the TASE Rules, or NIS 148.4 million, whichever is the greater amount.
- (3) the equity required of a member that is a bank and that is included in the list of participants in Repo transactions on the MTS system, as delivered to the Clearing House by MTS, shall not be less than NIS 148.4million.
- b) In addition to the equity required under paragraph 1a) above, if a member wishing to provide additional services as specified below requires additional equity in respect of each services that will be provided by it. The total equity required of a member shall be the cumulative amount of all the requirements for additional equity in respect of each of the services provided by the member:

Terms	Definitions
(1) Provision of clearing services to NCHM, according to the stated in Chapter One in Part Two of the By-Laws	- Additional equity of NIS 5 million for each NCHM to whom the member provides clearing services.
(2) For each additional client subaccount (after the first client subaccount), as said in Chapter Four in Part Two of the By-Laws	- Additional equity of NIS 5 million.

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Terms	Definitions
(3) Provision of clearing services to Repo participant, as said in Chapter Nineteen "A" in Part Two of the By-Laws	- Additional equity of NIS 148.4 million, for each participant for whom the member provides clearing service of Repo transactions.
(4) Provision of clearing services by a member to PD, as said in Chapter Nineteen in Part Two of the By-Laws	- Additional equity of NIS 25 million for each PD to which the member provides clearing services.

- 2) it maintains a technical and organizational set-up, which enables it to function as a member;
 - 3) it will participate in the Risk Fund, as provided by the By-Laws;
 - 4) it will give the Clearing House collateral and guaranties, as the Board of Directors shall prescribe from time to time;
 - 5) it will insure itself by an appropriate insurance policy, which will cover its activity in the Clearing House;
 - 6) if it is a bank – it participates in the RTGS System.
 - 7) if, in accordance with the provisions of the FATCA (Foreign Account Tax Compliance Act), it is required to receive a GIIN number, it will inform the Clearing House of the GIIN number.
 - 8) It will make a declaration regarding the tax residency applicable to it as well as its classification in accordance with the CRS (Common Reporting Standard).
- b. Notwithstanding the aforesaid, a TASE member applying to be accepted as a custodial member is not required to meet the conditions prescribed in subsections a.3) to a.6) above.

2A. **Qualifications for a Custodial Member for Applicants that Are Not TASE Members**

The qualifications for acceptance as a Clearing House custodial member of an applicant who is not a TASE member are as follows:

- a. it is a corporation, which is engaged in holding or in clearing securities, for itself or for others.
- b. it is supervised by the authority authorized to supervise its activity, as described in subsection a. above, in the country in which it was incorporated.
- c. at all times, it will have minimum equity, pursuant to generally accepted accounting principles, of NIS 15 Million.

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- d. it maintains a technical and organizational set-up, which enables it to function as a custodial member.
- e. it will appoint a person to act as a liaison for its activity as a custodial member at the Clearing House.
- f. if, in accordance with the provisions of the FATCA (Foreign Account Tax Compliance Act), it is required to receive a GIIN number, it will inform the Clearing House of the GIIN number.
- g. it will make a declaration regarding the tax residency applicable to it as well as its classification in accordance with the CRS (Common Reporting Standard).
- h. should the applicant be a corporation that is not an Israeli corporation:
 - (1) it will declare that it is aware that it agrees to the sole jurisdiction in all matters relating to its activity as a custodial member, in legal proceedings to which the Clearing House is a party, will be the competent court in Tel Aviv, and the law that will be applied in these proceedings will be Israeli law.
 - (2) it will appoint an Israeli person that will be authorized to accept court documents and notices on its behalf.
- i. The membership of a custodial member, as above, will take effect subject to the applicant's compliance with the terms of qualification and the completion by the applicant of the preparations for acting as a custodial member at the Clearing House.

3. **Application for Membership**

- a. A TASE member applying to be accepted as a member, including a TASE member applying to be accepted as a custodial member, (hereinafter: "the applicant") shall submit an application to the Clearing House, as worded in Appendix One of the By-Laws (hereinafter: "the application").

An applicant shall attach the following documents to the application:

- 1) its financial reports;
- 2) its articles of association and By-Laws;
- 3) the last annual report submitted by it to the Companies Registrar.

The Clearing House shall keep the said documents in its office.

The applicant shall undertake to deliver to the Clearing House any change in its articles and By-Laws.

- a1. a. Any applicant that is not a TASE member, requesting to be accepted as a custodial member (hereinafter: "the applicant") shall submit an application to the Clearing House, as worded in Appendix One "A" of the By-Laws (hereinafter: "the application").
- b. The application is to include:
 - 1) information concerning the ownership and control of the applicant;
 - 2) information concerning the authority authorized to supervise the

- applicant's activity in securities in the country in which it was incorporated;
- 3) information concerning the capital requirements that are applied to it by the authority authorized to supervise its activity in securities in the country in which it was incorporated;
 - 4) information concerning the manner in which the applicant complies with the qualification conditions as specified in clause 2A above.
- c. The applicant shall attach the following documents to the application:
- 1) a copy of its most recent financial reports filed with the authority authorized to supervise its activity in securities ;
 - 2) its articles of association and By-Laws or, in a case where the applicant is not an Israeli corporation, its constitutional documents.
- b. If in the course of processing an application it is found that information required for a decision on it is missing, then the Board of Directors may demand that it be informed of those particulars by the time set by it.
- c. If the application does not conform to the requirements of this section, or if information demanded as said in the above sub-paragraph b. has not been delivered by the time set in the demand, then processing the application shall stop until whatever is missing has been supplied, and when the missing material is supplied the application shall be treated like a new application submitted on the day of completion.
- d.
 - 1) When an applicant submits an application, it shall pay an application processing fee of NIS 25,709.
 - 2) If the Board of Directors approved the application for membership, then within seven days after the approval the applicant shall pay a membership fee of NIS 128,545.
 - 3) Notwithstanding the aforesaid, in the following instances the applicant will pay half of the application processing fee mentioned in subsection 1) and shall be exempt from the membership fee mentioned in subsection 2):
 - a. If the applicant is wholly owned subsidiary of a TASE member that, in the course of the reorganization of its business, transfers all the securities operations performed by it to the wholly owned subsidiary, so that it will be accepted as a TASE member in its place.
 - b. If the applicant is a parent company of a fully owned TASE member, where, in the course of the reorganization of the parent company's business, the TASE member transfers all the securities operations performed by it to the parent company, so that it will be accepted as a TASE member in its place.
- e. The Board of Directors shall consider an application no later than 120 days after it was received.

- f. The Board of Directors may, under special circumstances, not approve an application for membership or that it make its approval subject to additional conditions, even if all the requirements under this Chapter have been complied with, on condition that the applicant was given an opportunity to present its position to the Board of Directors in writing.
- g. The approval of admission to membership shall lapse, if the conditions set in the approval were not complied with within the period set in the approval.
- h. When an applicant's application has been approved, then it shall become a member when the following conditions have been complied with:
 - 1) it gave the Clearing House collateral and guaranties, as the Board of Directors prescribed, if such is required under the By-Laws;
 - 2) it complied with the conditions of the By-Laws and with every additional condition prescribed in accordance with sub-paragraph f. above.

4. **Obligations of a Member**

- a. A member shall maintain the qualifications for membership and comply with all other provisions of the By-Laws also after it was admitted as a member.
- b. A member shall meet the obligations imposed on it under TASE Rules and the regulations under them, as they may be from time to time, and those obligations shall be deemed part of its obligations as a member.

4A. **Reporting Obligations of a Custodial Member That is a TASE Custodial Member or of a Custodial Member that is Not a TASE Custodial Member**

A custodial member that is a TASE custodial member or a custodial member that is not a TASE custodial member is required

- a. to report to the Clearing House concerning the revocation or suspension of its membership in TASE, if it is a TASE member, or in in another clearing house in which it is a member, while furnishing details and reasons for the revocation or suspension of its membership, immediately upon its membership being revoked or suspended as aforesaid;
- b. to submit to the Clearing House a copy of its most recent annual financial reports filed with the authority authorized to supervise its activity in securities ;
- c. to report immediately to the Clearing House on the occurrence of one or more of the events set forth below:
 - (1) events that indicate, in the custodial member opinion, a real concern regarding its stability or its solvency ;
 - (2) the discovery of material defects that might harm the activity of the Clearing House.

5. **Arbitration Between Members**

- a. Disagreements or conflicts between one member and another on any aspect of their activity at the Clearing House shall be worked out between them; if they did not

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reach an agreement within thirty days, then within a further thirty days they shall appoint a single arbitrator; if no arbitrator was appointed as aforesaid, then they shall so inform the Clearing House and within thirty days after the said notice the arbitrator shall be appointed by the CEO of TASE.

- b. The arbitration procedure shall be according to the provisions of the Schedule to the Arbitration Law 5728-1968.

6. **Disciplinary Courts**

- a. Members are subject to disciplinary jurisdiction under the By-Laws.
- b. The proceedings of disciplinary jurisdiction shall be as prescribed in TASE Rules, mutatis mutandis as the case may be, and with the changes specified in this Chapter.
- c. Every violation of a provision prescribed in the By-Laws by a member, its ranking manager or employee shall be deemed a disciplinary offense.
- d. When a member has committed a disciplinary offense, then its Directors, CEO and controlling member shall also be deemed responsible for the offense, unless they proved that the offense was committed without their knowledge, that they were under no obligation to know about it or that they took all reasonable steps to prevent the offense.
- e. For the purposes of the above sub-paragraph c., in a member that is a banking corporation only the CEO and the managers responsible for the units or departments connected to the securities market shall be deemed ranking managers of the member.

7. **Suspension and Cancellation of Membership**

- a. The provisions of TASE Rules on the cancellation and suspension of membership shall apply, mutatis mutandis, as the case may be and with the changes specified in this Chapter.
- b. Without derogating from the provisions of the above sub-paragraph a., the membership of a member shall also lapse or be pending in each of the following instances:
 - 1) the Board of Directors decided to cancel a member's membership or to suspend it for a period and on conditions which it shall prescribe, because of any one of the following reasons:
 - a) if the member is a TASE member, it has ceased to be a member of TASE or was pending from it;
 - b) the member does not comply with one of the conditions or with one of the obligations imposed on it as specified in the By-Laws or under Board of Directors decisions;
 - c) one or more of the events specified in section 2.1.2 of Chapter Three "B" in Part One of the By-Laws occurred;
 - d) the member or a controlling member of the member was indicted, and because of the severity of the indictment the Board of Directors holds that the member's membership should be pending or cancelled;

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- 2) the member resigned from membership in the Clearing House;
the membership shall be discontinued after the preconditions have been complied with and at the time prescribed by the Board of Directors.
- c.
 - 1) A decision to suspend or cancel a membership – other than at the member's request – shall only be adopted by a majority of 75% of those present at the Board of Directors meeting that deals with the matter, and after the member was given a suitable opportunity to appear before the Board of Directors or to present its stand in writing; however, if the Board of Directors concludes that a decision must not be delayed, then the Board of Directors may decide to suspend membership even before the member was given an opportunity to present its arguments to the Board of Directors as aforesaid, on condition that it be given an opportunity to present its arguments in writing after the decision was adopted.
 - 2) The chairman of the Board of Directors shall inform the Governor of the Bank of Israel of the intention to discuss in the Board of Directors the cancellation or suspension of membership, otherwise than at the member's request, and he shall give the Bank of Israel an opportunity to express its opinion on this subject.

However, if the Board of Directors is of the opinion that adopting the decision must not be delayed, the Board of Directors may decide to cancel membership or to suspend membership even before the Bank of Israel was given an opportunity to express its opinion, provided that the Bank of Israel is given the opportunity to express its opinion after the decision has been adopted.
8. When a member's membership has been pending or canceled, or if it was decided to stop providing Clearing House services to him, whether fully or partly, then it and all whosoever act on its behalf shall take all steps in order to prevent – to the extent possible – damage to the member's clients, to other members, to the Clearing House and to TASE.
9. A member shall continue to bear all the obligations of a member, even if its membership was pending or canceled or if it was decided to interrupt the provision of Clearing House services to it, either temporarily or permanently, and even if it was decided to provide Clearing House services to him on a partial basis only. Furthermore, if his membership was cancelled, the member shall continue to be liable to all his obligations as member in respect of the period before the date of cancellation of his membership, including in respect of transactions and acts that he carried out before his membership was cancelled.

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CHAPTER THREE- THE CLEARING HOUSE RISK FUND

1. The Risk Fund

1.1 The amount of the Clearing House Risk Fund (hereinafter: "the Risk Fund") shall be the sum of the amount obtained from the calculation specified in subparagraph a.1) below added to the amount specified in subparagraph a.2) below:

- a. 1) the largest periodic debit balance that a member, other than the Bank of Israel or related members, had during the 5.35 years that ended in the calendar month before the revision date within its meaning below (hereinafter: "the period relevant for the calculation"), plus the expected loss to the Clearing House and the cost of realizing the collateral and less the Clearing House's role in the member's failure.

In the case of related members, consideration will be given to the periodic debit balance as aforesaid, both on the level of the individual member and on the level of all the related members.

- 2) NIS 200 million.

b. In no case will the amount of the Risk Fund be less than NIS 400 million.

1.1.1 "**related members**" - a member and a member which is its subsidiary, as well as a member who leads to financial clearing with the member for whom he is clearing, shall be deemed related members;

1.1.2 "**collateral realization cost**" - the expected loss from realization of the securities serving as collateral for the Risk Fund, as determined from time to time by the manager of the Clearing House in consultation with chief risk manager;

1.1.3 "**expected loss to the Clearing House**" - the value of the balance for delivery net in each one of the securities of the member or of the related members whose periodic debit balance is higher, multiplied by the volume of pending transactions and the safety coefficient.

In such regard, "safety coefficient" - the safety coefficient as determined from time to time by the manager of the Clearing House in consultation with the chief risk manager, for each type of security.

Notice of the safety coefficients determined and of any change therein shall be given to the Clearing House members in the manner determined by the Clearing House from time to time;

1.1.4 "**volume of pending transactions**" - the expected rate of pending transactions at the time of failure, as determined from time to time by the manager of the Clearing House in consultation with the chief risk manager.

Notice of the expected volume of pending transactions determined as aforesaid, and of any change therein, shall be given to the Clearing House members in the manner determined by the Clearing House from time to time.

1.1.5 "daily debit balance" – the differential obtained by subtracting the monetary credit balances of the member or related members, which stem from the clearing of transactions on TASE that were carried out on a business day by the member or related members, as the case may be, and by the NCHMs for whom the member or related members clear, from the monetary debit balances of the member or related members, as the case may be, which stem from the clearing of transactions on TASE that were carried out on the same business day by the member or related members or NCHMs for whom the member or related members, as the case may be, clear on condition that the differential is positive.

Insofar as related members are involved, consideration shall be given to the daily debit balance as aforesaid, both on the level of the individual member and on the level of all the related members;

1.1.6 "**transactions on TASE**" – transactions that were carried out in the course of trading on TASE and in the course of trading on the MTS system, including repo transaction, as well as transfers to custodians (on-Exchange);

1.1.7 "**average of a member's daily debit balances**" – the sum of a member's daily debit balances during the period relevant for the calculation, divided by the number of days on which that member had daily debit balances during the period relevant for the calculation;

1.1.8 "**the highest daily debit balance**" – the daily debit balance of a member other than the Bank of Israel or of related members, which is the highest daily debit balance on that business day, compared to the daily debit balances of each of the other members, other than the Bank of Israel.

In the case of related members, consideration shall be given to the daily debit balance as aforesaid, both on the level of the individual member and on the level of all the related members;

1.1.9 "**the highest periodic debit balance**" – the highest daily debit balance during the period relevant for the calculation, as compared to the highest daily debit balances during the said period, at a level of significance that is determined from time to time by the manager of the Clearing House in consultation with the chief risk manager, and which shall not be less than a level of significance of 99%.

Notice of the level of significance determined and of any change therein shall be given to the Clearing House members in the manner determined by the Clearing House from time to time;

1.1.10 "**general average of the daily debit balances**" – the amount obtained by adding the highest daily debit balances on each of the business days during the period relevant for the calculation and dividing it by the number of business days during the period relevant for the calculation;

1.1.11 "**Clearing House's role in the member's failure**" - the amount determined by the Clearing House in accordance with ISA's order to secure the proper activity of the Tel Aviv Stock Exchange Clearing House Ltd and the

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Derivatives (MAOF) Clearing House Ltd, as the amount of the Clearing House's contribution to covering the failed member's obligations

1.2 The amount of the risk fund shall be updated once a quarter, on January 15, April 15, July 15 and October 15 of each year (the date on which the risk fund is updated, as aforesaid, is herein: the "revision date").

1.3 At the end of each business day, the Clearing House shall calculate the highest periodic debit balance of a member which is not Bank of Israel or of related members in the 5.35 years ending on the business day of the calculation (hereinafter: "daily calculation")

If at any time the highest periodic debit balance pursuant to the daily calculation exceeds, by NIS 50,000,000 or 5%, whichever is lower, the periodic debit balance calculated in the relevant calculation period (hereinafter - the "excess"), the amount of the risk fund shall be updated on the date determined by the Clearing House, which shall not be more than five trading days from the date of the excess as aforesaid. The date on which the risk fund is updated, as aforesaid, shall be deemed the revision date for all intents and purposes.

1.4 The manager of the Clearing House may order an update of the amount of the risk fund on additional dates to be determined by him, if in his opinion the market conditions so require. Another date on which the risk fund is updated as aforesaid shall be deemed the revision date for all intents and purposes.

1.5 All members, except for the Bank of Israel and except for a custodial member, shall participate in the Risk Fund.

2. **The member's participation in the Risk Fund**

2.1 Each member's participation in the Risk Fund shall be updated on every revision date and it shall be calculated as the product of the amount of the Risk Fund, determined as said in section 1 above, multiplied by the ratio of the average of the member's daily debit balances to the amount obtained by adding up the averages of the daily debit balances of all the members, other than the Bank of Israel, other than the Bank of Israel and other than custodial members.

For this purpose, the applicable period for calculating the average of the member's daily debit balances is the six months ended in the calendar month that preceded the date of update.

2.2 The participation in the Risk Fund of a new member who joins the Clearing House shall be determined by the Board of Directors.

(The amount that equals the member's part in the Risk Fund, as specified above in this section 2 and as updated from time to time, shall hereinafter be called the "member's participation in the Risk Fund").

3. Without derogating from the other obligations of members toward the Clearing House, each member shall be under obligation to the Clearing House to pay fully and precisely an amount equal to his share of the Risk Fund, as specified in this Chapter.

4. Giving collateral

4.1 A member shall deposit collateral with the Clearing House and charge it in its favor, to secure payment of the member's share in the Risk Fund and also as surety for the performance of all that member's other obligations toward the Clearing House; the value of the collateral shall at no time be less than the member's part of the Risk Fund, all on the conditions specified in this Chapter and in Chapter Three "A" in Part One of the By-Laws.

To secure at least 25% of the member's part in the Risk Fund, the member shall give the Stock Exchange Clearing House monies that shall be deposited as collateral in the collateral accounts at Bank of Israel, as provided in Chapter Three "A" in Part One of the By-Laws.

4.2 If a member's part in the Risk Fund on any revision date is greater than that member's part in the Risk Fund before that revision date, then by 08:30 on the revision date the member shall add to the collateral, as specified in section 4.1 above, all on the terms specified in this Chapter, and in Chapter Three "A" in Part One of the By-Laws.

4.3 4.3.1 At the end of each trading day, the Clearing House shall make a calculation of the amount of collateral deposited in the member's collateral accounts, with these being calculated as stated in section 2.1 of Chapter Three "A". The calculation shall be done according to the base rate of the following trading day, of the securities deposited by the member as collateral.

4.3.2 Should the amount of the collateral deposited in the collateral accounts be less than the total collateral amount required from the member, the member shall deposit in the collateral accounts, as additional collateral, a sum equivalent to the difference between the two amounts.

4.3.3 The member shall deposit the aforesaid additional collateral by 08:30 on the first business day following the day on which the calculation was made.

4.4 Without derogating from any other power granted to it pursuant to the By-Laws or by any law, should the member not deposit the collateral referred to in section 4.2 or in section 4.3 above, by the time prescribed therein, as the case may be, the Clearing house shall charge the member's monetary account with a monetary amount of NIS 5,000 plus VAT for every 15 minutes delay.

4.5 If, for any reason whatsoever, the total value of the collateral given to secure the member's parts in the Risk Fund dipped below the amounts required as specified under section 1 above, then the Clearing House shall continue its activity only if the collateral to secure the member's part in the Risk Fund is supplemented, as required above.

5. Exercising the collateral

Without derogating from any right of the Clearing House under the By-Laws, under any agreement and under any statute, realization of collateral shall be carried out according to the provisions of Chapter Three "A" in Part One of the By-Laws.

6. **Cessation of membership in the Clearing House**

If a member requests that its membership in the Clearing House cease and if its request was approved by the Board of Directors, then the member shall leave the Risk Fund and the collateral it provided to the Risk Fund shall be returned to it one month after the date of its departure, and at an earlier time determined, for this purpose, by the Clearing House (if so determined), and the member shall to all intents and purposes be responsible for its part of the Risk Fund until that date.

On the date on which a departing member ceases to be responsible for his participation in the Risk Fund, as aforesaid, an additional up-dating of the Risk Fund shall be carried out. On this date the Clearing House shall up-date the amount of the Risk Fund and the participation of each member in the Risk Fund, as specified in sections 1.1 and 2.1, *mutatis mutandis*.

CHAPTER THREE "A"-COLLATERAL

1. General

- a. Without derogating from the provisions of Chapter Three in Part One of the By-Laws and from Chapter Nineteen "B" in Part Two of the By-Laws, and should the members be required, according to the By-Laws, to give collateral to the Clearing House, the provisions specified below in this Chapter Three "A" shall apply to all matters connected to such collateral.
- b. The collateral to be given by members under the By-Laws, or any part thereof, shall serve as surety to secure all the members' obligations to the Clearing House, including – but without derogating from the generality of the aforesaid – the collateral will serve to secure the members' shares in the Risk Fund and also to secure the members' obligations for Repo transactions, as specified in Chapter Nineteen "B" in Part Two of the By-Laws.

2. Types of assets that are fit to serve as collateral and the calculation of their value

2.1 The assets that shall serve as collateral under the By-Laws are as follows:

2.1.1 Monies deposited in an account, as provided above in this Chapter.

2.1.2 Government bonds and short term loans – their value for calculating the degree to which they meet requirements for collateral shall be the value of the security on TASE, multiplied by the safety factor. However, if 30 days or less are left before the final redemption date of a security, the value of that security for calculating the degree to which it meets the requirements for collateral shall be zero.

2.1.3 The Board of Directors of the Clearing House shall prescribe a method for the calculation of a safety factor ("the method").

Notwithstanding the aforesaid:

- a. In special instances when, in the opinion of the Manager of the Clearing House, it is fitting to determine lower safety factors than those determined according to the method, the Manager of the Clearing House, in consultation with the CEO of TASE and the chief risk manager, may take immediate action to do so.
- b. In special instances, the Board of Directors, in accordance with a recommendation from the Manager of the Clearing House that was accepted following consultation with the CEO of TASE and the chief risk manager, may determine higher safety factors than those set according to the method.

Notice of the safety factor determined according to the said method and of every change made in it shall be given to Clearing House members in ways that the Clearing House shall determine from time to time. The safety factor shall also be posted on TASE Internet site, the address of which is tase.co.il, and on the Maya site, the address of which is maya.tase.co.il.

2.1.4 If a safety factor was changed as aforesaid, the Clearing House shall calculate the collateral according to the up-dated safety factor and give notice to the members, in a manner that the Clearing House shall determine from time to time, of the up-dated value of the collateral. If, in consequence of the said calculation, a member is required to provide additional collateral for the Clearing House, he shall do so up to the time that the Clearing House shall set in the notice that it gave as aforesaid.

2.2 The collateral given to the Clearing House by a member shall come from his own means and they shall at all times be free of any pledge, charge, attachment, lien or other right of any third party.

3. Collateral accounts

3.1 Definitions

3.1.1 The "**Clearing House collateral account**", designated for each member by the Clearing House – an account (with all its subaccounts) kept at the Clearing House, to the credit of the Clearing House and in the name of the Clearing House, intended for the deposit of securities given by the member to serve as collateral to the benefit of the Clearing House;

3.1.2 CANCELLED.

3.1.3 The "**collateral accounts at Bank of Israel**" - each one of the following:

3.1.3.1 An account (and all its sub-accounts), and the reserve accounts linked thereto (and all their sub-accounts), which are managed in the name of the Clearing House in the "RTGS" system, which operates at Bank of Israel, and which were intended for the deposit of monies by the Clearing House members, including the member, that are used as collateral for the Clearing House.

3.1.3.2 An account (and all its sub-accounts) that are managed in the name of the Clearing House in the bookkeeping system of Bank of Israel, which are intended for the deposit of monies transferred from any of the accounts mentioned in paragraph 3.1.3.1 above or for the deposit of monies by the Clearing House members, including the member, that are used as collateral for the Clearing House.

3.1.3.3 Another account at Bank of Israel or in a payments system managed by any of Bank of Israel's employees or a bank account, which is intended for the deposit of monies transferred from any of the accounts mentioned in paragraphs 3.1.3.1 or 3.1.3.2 above, for the purpose of realizing the pledged and charged assets or for any other purpose.

3.1.4 "**collateral accounts**" – the Clearing House collateral account and the collateral accounts at Bank of Israel;

3.2 3.2.1 The Clearing House shall open a number of accounts in its own name and to its own credit at the Clearing House, as is the number of its members, dedicating

one account to each member, to be used as the Clearing House collateral account, in which the Clearing House will deposit securities said in section 2.1.2 above, which will be given by the member as collateral to secure the member's share of the Risk Fund and also to secure the member's obligations for Repo transactions, as specified in Chapter Nineteen "B" in Part Two of the By-Laws.

- 3.2.2 a. In addition to the aforesaid, the Clearing House has opened in its name, at Bank of Israel, the collateral accounts at Bank of Israel, as provided in this Chapter.
- b. The collateral accounts at Bank of Israel are intended for the deposit of monies serving as collateral to secure all the member's obligations toward the Clearing House, including – but without derogating from the generality of the aforesaid – monies serving to secure the members' share in the Risk Fund and also to secure the members' obligations for Repo transactions, as specified in Chapter Nineteen "B" in Part Two of the By-Laws; the deposits in the said accounts will be made as follows:
- (1) by the member – the deposit of monies, as provided in paragraph 2.1.1 above;
 - (2) by the Clearing House –
the deposit of monies paid as income from securities deposited in the Clearing House collateral account that is dedicated to the member, or monies stemming from any other right to money that stems from the said securities, including the monetary consideration derived from their sale or exercise;

3.2.3 The value of the collateral given by a member, as said in paragraphs 3.2.1 and 3.2.2 above shall not, at any time, be less than the full amount of collateral in respect of the Risk Fund (100%) that the member must give to the Clearing House, as specified in Chapter Three in Part One of the By-Laws, plus the full amount of collateral that the member must give to the Clearing House in respect of Repo transactions, as specified in Chapter Nineteen "B" of the By-Laws; the collateral shall be deposited in the Clearing House collateral account or in the collateral accounts at Bank of Israel, pursuant to the Clearing House's decision, from time to time, in its discretion, as aforesaid, subject to the provisions on this subject in the By-Laws, and the member shall pledge and charge the said accounts and all the rights therein to the benefit of the Clearing House as specified below.

4. Charges

Without derogating from any right of the Clearing House under the By-Laws, under any agreement and under any statute –

- 4.1 each member shall charge and encumber all the following assets and rights to the benefit of the Clearing House by a permanent first charge and by endorsement by way of a charge, without any limit on the amount:

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- 4.1.1 all rights of any kind whatsoever to the Clearing House collateral account, including – but without derogating from the generality of the aforesaid – all the securities deposited or registered to the credit of the Clearing House collateral account, or which will from time to time be deposited in or registered to the credit of the said account, all the income from them and / or all the rights derived from or connected to them, including the monetary consideration from the sale or exercise of the said securities;
- 4.1.2 all the rights of any kind in each one of the collateral accounts at Bank of Israel, including, but without derogating from the generality of the aforesaid, all the rights to receive the monies deposited or recorded to the credit of each one of the collateral accounts at Bank of Israel or that are deposited or recorded to the credit of each one of the said accounts, from time to time, and all the income thereon or any right deriving from them or related thereto;
all as specified in the secured debenture and pledge agreement attached as Appendix Two “L”, (hereinafter: the "pledge agreement").
- 4.1.3 The aforesaid will not in any way prejudice an encumbrance and/or a pledge created by a member in favor of the Clearing House prior to the amendment of the By-Laws from August 11, 2020.
- 4.2 4.2.1 The Clearing House collateral account will be kept at the Clearing House, to the credit of the Clearing House and in its name, and the Clearing House will be the one entitled to act in this account.
- 4.2.2 CANCELLED.
- 4.2.3 (a) (1) For the purpose of opening and managing the collateral accounts at Bank of Israel, agreements have been drawn up and signed between the Clearing House and Bank of Israel, which are headed "Bank of Israel account opening and management agreement" and "participation in RTGS System clearing in Israel agreement" (both agreements, with their appendices, as worded from time to time, are hereinafter jointly referred to as the "Bank of Israel agreement").
The Clearing House shall furnish a copy of the Bank of Israel agreement to each member.
A member (and any candidate member) shall sign an "approval of Clearing House member for opening an account at Bank of Israel, his declarations and his obligations to Bank of Israel", in the form of wording annexed as appendix Two "K", and any other document, as required by Bank of Israel, from time to time, in accordance with the Bank of Israel agreement.
- (2) The Clearing House may, from time to time, alter the agreement with Bank of Israel and its terms and conditions, in its discretion, without consent of any third party, including, without the consent of the member.

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- (3) The provisions of the Bank of Israel agreement and all its terms and conditions, as shall be from time to time, shall bind the member, including, but without derogating from the generality of the aforesaid, insofar as the Bank of Israel agreement pertains or relates, directly or indirectly, to the member or to the pledged and charged assets;
 - (4) Subject to the provisions of any law, the Bank of Israel agreement that is furnished to the member and the information, data and notices furnished to the member in connection with the Bank of Israel agreement, are intended for the member and he shall not pass them on to others, without obtaining the prior written approval of the Clearing House to do so.
- (b)
- (1) The Bank of Israel agreement regulates the relationship between Bank of Israel and the Clearing House in connection with the opening and management of the collateral accounts at Bank of Israel; accordingly, the agreement with Bank of Israel does not grant any right to anyone who is not a party to this agreement, including - does not grant any right to the member.
 - (2) The Clearing House is the exclusive holder of the rights in the collateral accounts at Bank of Israel, on the plane of the relationship between the Clearing House and Bank of Israel; Bank of Israel shall act in connection with the collateral accounts at Bank of Israel in accordance with the instructions of the Clearing House only, and it may execute any instruction given to it by the Clearing House in connection with monies in the collateral accounts at Bank of Israel, as provided in the Bank of Israel agreement.
 - (3) The account management services shall be provided by Bank of Israel to the Clearing House only and Bank of Israel shall not have any liability to third parties, including the member; the member does not have any right, relief or cause of action pursuant to the Bank of Israel agreement or pursuant to any law, vis-à-vis Bank of Israel or vis-à-vis anyone acting on its behalf, or vis-à-vis TASE, the Clearing House or anyone acting on their behalf.
 - (4) Bank of Israel has rights, including rights of possession, lien and set-off, over the monies in the collateral accounts at Bank of Israel and over their proceeds, in accordance with the provisions of the Bank of Israel agreement. It is expressed that the value of the collateral given by the member in favor of the Clearing House shall be calculated in accordance with the actual balance thereof, after the exercise of Bank of Israel's rights, as provided above (if and insofar as exercised from time to time); in such case, the member shall supplement the amount of the collateral, as required by the By-Laws.

- (c) (1) The assets, monies and rights given by the member and used as collateral for the Clearing House and deposited or recorded to the credit of the collateral accounts at Bank of Israel shall be held jointly (in bulk) with other assets and rights given as collateral for the Clearing House by other members of the Clearing House and deposited or recorded to the credit of the collateral accounts at Bank of Israel.
- (2) The Clearing House shall keep its books, at all times, with separate, full and accurate entries in the name of each of the Clearing House members, of all the assets and rights given to the Clearing House as collateral by each members and deposited or recorded to the credit of the collateral accounts at Bank of Israel.
- (3) The collateral deposited or recorded to the credit of the collateral accounts at Bank of Israel, the scope thereof, the amount thereof and any detail or data pertaining thereto shall be determined at any time only in accordance with the amounts, data and details entered in such regard in the Clearing House's books, and the Clearing House and the member shall rely on the entries in the Clearing House's books, on any matter and thing pertaining to the Bank of Israel agreement and all its terms and conditions.

It is expressed that this sub-paragraph adds to the provisions of paragraph 5 below and does not derogate from them.

- (d) (1) The Bank of Israel agreement provides that Bank of Israel and those acting on its behalf shall not bear any responsibility or liability of any type for loss, damage, or expense of any type (hereinafter, in this paragraph 4 - "**damage**"), in accordance with the provisions of the Bank of Israel agreement.

Without derogating from the generality of the aforesaid, the Clearing House and TASE and those acting on their behalf, and Bank of Israel and those acting on its behalf, shall be exempt and shall not bear any responsibility or liability of any type for any damage that might be occasioned to any person or entity (including a member, the Clearing House members or Clearing House members who clear for others), in respect of any matter pertaining to the collateral accounts at Bank of Israel, or activity in the collateral accounts at Bank of Israel, or the Bank of Israel agreement, including - the performance or non-performance of the provisions of the Bank of Israel agreement.

The said exemption shall not apply if the damage was occasioned as a result of an act of malice or gross negligence.

- (2) In accordance with the Bank of Israel agreement, the Clearing House is under a duty to indemnify and compensate Bank of Israel and all those acting on its behalf or to pay them any amount that

Bank of Israel demands from the Clearing House (hereinafter jointly - "**indemnity and compensation**"), for damages occasioned to the Bank of Israel or those acting on its behalf, in accordance with the provisions of the Bank of Israel agreement.

The member shall indemnify and compensate TASE, the Clearing House and those acting on their behalf, and shall pay them, on the first demand of the Clearing House, any amount that the Clearing House demands from the member for damages occasioned to TASE, the Clearing House or those acting on their behalf, directly or indirectly, including expenses, lawyer's professional fees and payments to any third party, which are made by TASE, the Clearing House or those acting on their behalf of that they are required to pay, because of the activity in the collateral accounts at Bank of Israel or in connection therewith or in connection with the Bank of Israel agreement.

- (3) Without derogating from the aforesaid, the member shall pay the Clearing House any amount demanded by the Clearing House as indemnity and compensation for Bank of Israel, in accordance with the Bank of Israel agreement, no later than twenty one (21) days from the date of the first written demand of the Clearing House, or on an earlier date determined by the Clearing House in such regard; the Clearing House shall determine if the member shall bear the full amount of the indemnity and compensation demanded by Bank of Israel or part thereof, in the discretion of the Clearing House, having regard to the circumstances of the case, and the decision of the Clearing House in such regard shall be final. The amount of the indemnity and compensation determined by the Clearing House, as aforesaid, shall be added to the amount of the member's other obligations to the Clearing House, shall be deemed an integral part thereof, for all intents and purposes, and shall be paid by the member immediately and without delay, as provided in Chapter Six of Part Two of the By-Laws, unless the Clearing House decides on another way of making the payment, in which case the payment shall be made in the other way, all as decided by the Clearing House.
- (4) Without derogating from the aforesaid, before the Clearing House makes any payment on its initiative to Bank of Israel for indemnity and compensation, as aforesaid, the Clearing House shall act to the best of its ability to notify the member of the demand for payment; in addition, insofar as this does not conflict with the Bank of Israel agreement, the Clearing House shall act to the best of its ability to enable the member to defend itself against a demand as aforesaid, at the member's expense, and shall assist it insofar as possible, all in the discretion of the Clearing House, having regard to the

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circumstances of the case.

4.2.4 Without derogating from the provisions of the pledge agreement or the By-Laws, it is hereby clearly stated that a member does not have the right to withdraw securities or cash from any of the collateral accounts or do any other act with them, save for the grant of credit instructions for the purpose of depositing monies in the collateral accounts at Bank of Israel, with the Clearing House's consent.

Without derogating from the aforesaid, if there comes to be a surplus of collateral in the collateral accounts, as compared to what is required under the By-Laws, then the Clearing House will return the surplus collateral to the member at his written request, on condition that the request was submitted until and not later than 12:00 noon on any trading day and that the Clearing House approved the request.

For the purposes of this paragraph –

surplus collateral – an amount that shall not exceed the differential between the amount of collateral on deposit in the collateral accounts (calculated as said in paragraph 2.1.2 above) and the amount of collateral required under the By-Laws as of the beginning of the trading day.

4.3 Each member shall sign the pledge agreement, as formulated in the attached appendix Two "L".

A member with a "foreign bank license" under the Banking (Licensing) Law, 5741-1981, shall also sign, in addition to the aforesaid pledge agreement, a supplement to the pledge agreement, as formulated in the attached Appendix Two "E", or a supplement that is formulated differently, as part whereof the Board of Directors may require additional or different collateral to the credit of the Clearing House.

4.4 Without derogating from the provisions of paragraph 2.2 above, if a member charged any of its assets before the pledge agreement was signed as aforesaid (hereinafter: "prior charge"), then he shall deliver to the Clearing House, at its demand, particulars of the aforesaid prior charge, and it shall also deliver to the Clearing House, at its demand, a letter of consent from the holders of the prior charge, as formulated either in Appendix Two "C" or in Appendix Two "D", as the case may be, as the Clearing House directs.

4.5 Expenses

Without derogating from the provisions of the pledge agreement or the By-Laws, the member shall bear any commission, payment, expense, tax, levy or fee relating to or involved in the Bank of Israel agreement or the collateral accounts at Bank of Israel, and the pledge and charge of the assets and rights in favor of the Clearing House and their realization; these amounts shall be added to all the member's other obligations to the Clearing House, shall be deemed an integral part thereof, for all intents and purposes, and shall be paid by the member, without delay and as provided in Chapter Six of Part Two of the By-Laws, unless the Clearing House decides that the payment should be made in another way, in which case the payment shall be made in the other

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way, and all as decided by the Clearing House.

5. The Clearing House's books

Without derogating from any provision in the pledge agreement or the By-Laws, the Clearing House's books and accounts shall be deemed proof of the truthfulness of their contents, in connection with the pledge agreement, including with regard to the rights of lien and set-off of the Clearing House, and including - in connection with the secured obligations, in all their details, as well as the assets and rights pledged and charged in favor of the Clearing House, in all their details.

CHAPTER THREE "B" – FAILURE ARRANGEMENTS

1. Temporary interruption in the provision of Clearing House services to a member

- 1.1 1.1.1 The Manager of the Clearing House, in consultation with the CEO of TASE and the chief risk manager, may decide on a temporary interruption in the provision of clearing services to a member (hereinafter: "temporary interruption"), if he concludes, at his discretion, that there is a suspicion that the member is liable not to meet its obligations or any part thereof or that the member is liable not to pay its debts or any part thereof or if it was decided to convene the Board of Directors in order to discuss the continued provision of clearing services to the member, as specified in paragraph 1.2. below.

In such an instance, the Manager of the Clearing House shall, as far as possible, refrain from deciding on a temporary interruption in the provision of Clearing House services before the member is given an opportunity to present its arguments to him. However, if the Manager of the Clearing House believes that the decision should not be delayed, then he may decide on said temporary interruption, even before giving the member an opportunity to present its arguments to him, on condition that the member be given the opportunity to present its arguments after the decision has been taken.

- 1.1.2 Notwithstanding the aforesaid, if the member did not meet its monetary obligations that stem from acts carried out in the Clearing House, as specified in Chapter Six of Part Two of the By-Laws, then the Manager of the Clearing House may order immediately a temporary interruption in the provision of Clearing House services to the member.

In such an instance, the member shall be given an opportunity to present its arguments after the decision has been taken.

- 1.1.3 The Manager of the Clearing House shall inform the Governor of the Bank of Israel of his intention to take a decision to interrupt temporarily the provision of Clearing House services to a member and he shall give the Bank of Israel an opportunity to express its opinion on this matter.

However, if the Manager of the Clearing House is of the opinion that taking the decision to interrupt temporarily the provision of Clearing House services to a member should not be delayed, he may decide on said temporary interruption even before giving the Bank of Israel an opportunity to express its opinion, provided that the Bank of Israel is given the opportunity to express its opinion after the decision has been taken.

- 1.2 If the Manager of the Clearing House decided on a temporary interruption, he shall immediately notify the Chairman of the Board of Directors of this, who shall act as soon as possible, in order to discuss the continued provision of Clearing House services to the member.
- 1.3 If, during the period in which the temporary interruption is in effect, the member proves to the Manager of the Clearing House's satisfaction that grounds for deciding

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on the temporary interruption have been removed, the Manager of the Clearing House, in consultation with the CEO of TASE and the chief risk manager, may decide that the provision of clearing services be resumed.

1.4 If the member did not prove to the Manager of the Clearing House's satisfaction that the grounds for deciding on the temporary interruption have been removed, then the Board of Directors shall convene and discuss the continued provision of Clearing House services to the member.

1.5 1.5.1 If the Board of Directors decided that there is a suspicion that the member is liable not to meet its obligations or any part thereof, or that the member is liable not to pay its debts or any part thereof, or if one or more of the other events specified in paragraph 2.1.2 below occurred (the aforesaid suspicion, as well as any of the aforesaid events shall hereafter be called an "event that arouses suspicion of insolvency"), then the Board of Directors may decide to interrupt the provision of Clearing House services to the member, and it may restrict the said interruption of services to a period that it shall set.

1.5.2 The Board of Directors may decide to continue to provide Clearing House services to the member, either fully or partly, and it may restrict the provision of the said services by conditions and restrictions, as it deems proper, at its discretion.

1.5.3 The Board of Directors shall only take a decision to interrupt the provision of Clearing House services to the member, or to continue to provide Clearing House services to the member only partially, by a majority of 75% of those present at the Board of Directors' meeting that discusses the matter, and that after the member was given an appropriate opportunity to appear before the Board of Directors or to present its position in writing. If the Board of Directors concludes that taking the decision should not be delayed, then the Board of Directors may decide as aforesaid even before the member is given said opportunity to present its arguments to the Board of Directors, on condition that the member be given an opportunity to present its arguments in writing after the decision has been taken.

1.5.4 The Chairman of the Board of Directors shall inform the Governor of the Bank of Israel of the intention to discuss at the Board of Directors the matter of interrupting the provision of Clearing House services to a member and he shall give the Bank of Israel an opportunity to express its opinion on this subject.

However, if the Board of Directors is of the opinion that taking the decision to interrupt the provision of Clearing House services to the member should not be delayed, the Board of Directors may decide to interrupt the provision of Clearing House services as aforesaid even before giving the Bank of Israel an opportunity to express its opinion, provided that the Bank of Israel is given the opportunity to express its opinion after the decision has been taken.

2. Early termination and call for immediate payment

Without derogating from any right that the Clearing House has under the By-Laws, under any agreement and under any statute –

2.1 2.1.1 a. 1) if one or several of the events described in paragraph 2.1.2 below occur, then the Board of Directors of the Clearing House may (but does not have to) decide – at its discretion – to call for the immediate payment of the member's obligations toward the Clearing House.

2) The Chairman of the Board of Directors shall inform the Governor of the Bank of Israel of the intention to discuss at the Board of Directors a call for the immediate payment of a member's obligations toward the Clearing House, and he shall give the Bank of Israel an opportunity to express its opinion on this subject.

However, if the Board of Directors is of the opinion that taking the decision should not be delayed, the Board of Directors may decide to call for the immediate payment even before giving the Bank of Israel an opportunity to express its opinion, provided that the Bank of Israel is given the opportunity to express its opinion after the decision has been taken.

b. It is hereby clarified that, when the Board of Directors of the Clearing House has decided as stated in subparagraph a. above, the immediate payment called for as aforesaid shall be executed by the Clearing House, including by persons to whom powers have been delegated (hereinafter: "the delegates") as specified in paragraph 5 below, all in the amounts, under the conditions, in the manner and in the order that shall be prescribed by the Clearing House or by the delegates, at their discretion, as the case may be (the aforesaid act and every part thereof shall hereinafter in this Chapter be called a "call for immediate payment").

2.1.2 And these are the events:

- a. if the member does not pay the Clearing House any amount due from it on the date set for its payment, including, but without derogating from the generality of the aforesaid, any amount for which a call for immediate payment had been made, or if the member violates any obligation toward the Clearing House under the By-Laws or under any undertaking by the member toward the Clearing House or under any statute, including an obligation that is not monetary;
- b. if the Board of Directors of the Clearing House believes that there is a suspicion that the member is liable not to comply with its obligations or any part thereof or is liable not to pay its debts or any part thereof;
- c. if the member's membership in the Clearing House is interrupted, suspended or canceled, or if it is decided that the provision of clearing services to the member be interrupted temporarily, or if there are any

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grounds due to which it is possible to interrupt, suspend or cancel its membership as aforesaid or interrupt temporarily the provision of clearing services to the member;

- d. if an authorized manager or special supervisor is appointed for the member or if the Controller of Banks takes other measures against the member under paragraphs 8C or 8D of the Banking Ordinance, 1941 or under any other statute that shall take their place;
- e. if a motion is filed against the member for its liquidation, or for the appointment of a temporary pre-liquidator, a temporary liquidator, a receiver or a temporary receiver, or if a motion is filed against the member for the commencement of recovery proceedings or for a stay of proceedings, or if the member decides on its voluntary liquidation;
- f. if an attachment is placed on the collateral deposited in the collateral accounts or on any part thereof, or on a substantial asset of the member, or if a receiver is appointed to realize any part thereof or if any execution proceeding is carried out in connection with any of the said assets.

2.1.3 In addition to the provision of paragraphs 2.1.1 and 2.1.2 above, the Board of Directors of the Clearing House may (but does not have to) decide – at its discretion – to call for the immediate payment of the obligations toward the Clearing House of a member that holds a "foreign bank license" under the Banking (Licensing) Law, 5741-1981, also if one or more of the events specified below occur:

- a. if the member violated any of its undertakings or declarations under the Schedule to the fixed charge agreement, which is formulated in Appendix Two "E";
- b. if any supervisory authority, in the state in which the member is incorporated or in any other state, takes any steps against the member, such as indicate that there is a suspicion that the member did not comply with the provisions of any statute, or that there is a suspicion that the member's ability to meet its obligations or that the orderly conduct of its business has been impaired.

2.2 2.2.1 The Clearing House shall inform the member one business day in advance that the call for immediate payment is to be executed.

2.2.2 Notwithstanding the provision of paragraph 2.2.1 above –

- a. if the Clearing House is of the opinion that the call for immediate payment should be executed immediately, taking the circumstances of the case into account, including – but without derogating from the generality of the aforesaid – when, in the Clearing House's opinion, there is a suspicion that the Clearing House shall not be able to meet its obligations or any part thereof, or that the ability of the Clearing House to collect the member's obligations toward the Clearing House shall deteriorate, or if there are other conditions that make it necessary to

execute the call for immediate payment of the member's obligations toward the Clearing House, then –

- b. the Clearing House shall have the right to execute the call for immediate payment, as said in subparagraph 2.1.1 above even without giving advance notice thereof to the member, provided the member is given notice thereof as soon as possible, specifying the action that was taken.
- 2.3 Without derogating from the aforesaid, the member shall bear all payments, expenses, premiums and fees that shall be connected and/or involved in the execution of the call for immediate payment as said in paragraph 2.1.1 above, and those amounts shall be added to all the other obligations of the member, shall for all intents and purposes be deemed an integral part thereof and shall be paid by the member immediately and without delay when the call for immediate payment is executed, as specified in Chapter Six in Part Two of the By-Laws, unless the Clearing House decided that the payment shall be made in some other fashion, in which case the payment shall be made in the other fashion, all as the Clearing House shall decide.

3. Realizing the collateral

Without derogating from any right held by the Clearing House under the By-Laws, under any agreement and under any statute –

- 3.1 When one or several of the events specified in paragraph 2.1.2 above in this Chapter or in paragraph 2.1 in Chapter Nineteen "D" in Part Two of the By-Laws occurs in connection with any member (hereinafter: "the member in violation"), then the Clearing House shall have the right, at its discretion (even if the Board of Directors of the Clearing House did not decide to call for the immediate payment of the member's obligations and did not decide on the early termination of Repo transactions to which the member is a party) to realize the collateral for the Repo transactions and also the collateral for the Risk Fund that the member in violation gave, and that in order to pay all the member's obligations or any part thereof.
- 3.2 If the Clearing House decided to realize all or part of the collateral that the member in violation gave, as said in paragraph 3.1 above, then the following provisions shall apply:
 - 3.2.1 the Clearing House shall realize first the collateral that the member in violation gave for the Repo transactions and the collateral given for the activity conducted through the Clearing House's lending pool (and in consequence thereof that collateral shall be the first to be reduced), and then the collateral the member in violation gave for the Risk Fund;
 - 3.2.2 after the realization of all the collateral given by the member in violation, as referred to paragraph 3.2.1 above, the Clearing House shall be subject to an obligation to pay, for the obligations of the member in violation, from its own resources, an amount that shall be determined in accordance with the provisions of the Israel Securities Authority's directives prescribed pursuant to Section 50 C(b) of the Securities Law, 5728-1968.
 - 3.2.3 once the provisions of subparagraph 3.2.2 above have been fulfilled, and with

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no need for the Clearing House to perform any act or to give any notice or make any demand whatsoever, an obligation shall apply to all members who are not the member in violation (hereinafter: the "other member" or the "other members"), as the case may be, to pay to the Clearing House an amount to be set by the Clearing House according to the ratio of the other member's share in the Risk Fund to the amount of the Risk Fund, less the share of the member in violation, provided that amount is not greater than the other member's share in the Risk Fund;

- 3.2.4 a. the Clearing House shall inform every other member that he must pay the Clearing House an amount that the Clearing House shall set, in the ratio of the other member's share in the Risk Fund to the amount of the Risk Fund, less the share of the member in violation, provided that such amount is not greater than the other member's share in the Risk Fund (hereinafter: "notice from the Clearing House");
- b. the payments by the other members, as required under subparagraph a. above, shall be made immediately when the notice from the Clearing House is delivered, in the manner specified in Chapter Six in Part Two of the By-Laws, unless the Clearing House has decided that the payment be made in some other manner, in which case the payment shall be made in such other manner, all as the Clearing House shall decide;
- c. if the full amounts that the other member must pay, as stated in subparagraph a. above, was not actually paid, as specified in subparagraph b. above, the Clearing House shall have the right to realize the collateral deposited by the other member in the collateral accounts or in any of them, provided that the Clearing House is not paid – by the other member for the member in violation – an amount greater than the other member's share in the Risk Fund.
- 3.3 Notwithstanding the provisions of the above paragraph 3.2 above and without derogating from any member's obligations toward the Clearing House under the By-Laws, under any agreement and under any statute, if – at the discretion of the Clearing House – there is any suspicion that realization of the collateral, including the amounts that the Clearing House owed pursuant to the provisions of subparagraph 3.2.2 above, in the order and on the conditions specified in paragraph 3.2 above is liable to have an adverse effect on the operating activities of the Clearing House or on the ability of the Clearing House to meet its obligations, or that it is liable to impair the ability of the Clearing House to collect the members' obligations or any part thereof or to cause any harm whatsoever to the members or to any of them, then the Clearing House may act in any of the following ways:
- 3.3.1 it may realize the collateral that was given to it, or any part thereof, otherwise than in the order prescribed in paragraph 3.2 above, or it may realize them concurrently;
- 3.3.2 it may realize the collateral, or any part thereof, that was given to it by the other members, or by any of them, including the monies, or any part thereof,

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that were given to the Clearing House as collateral by the other members, or by any of them, including by way of withdrawing them from the collateral accounts at Bank of Israel in which such monies were deposited by the other members, or by any of them, as the case may be, even without giving the other members the notice of the Clearing House, as provided in paragraph 3.2.4.a. above;

Notices that charges have been realized, as aforesaid, shall be sent to the member in violation and to the other members immediately after that was done.

3.4 It is hereby clarified that realization of the collateral, including – but without derogating from the generality of the aforesaid – all the acts connected thereto, which includes exercising judgment and all that entails – shall be carried out by the Clearing House, including the persons to whom powers were delegated (hereinafter: "the delegates") as specified in paragraph 5 below, all in the amounts, under the conditions, in the manner and in the order that shall be prescribed by the Clearing House or by the delegates, as the case may be, at their discretion.

4. Irrevocable power of attorney

Without derogating from any right that the Clearing House has under the By-Laws, under any agreement and under any statute –

- 4.1 4.1.1 In order to execute the call for immediate payment referred to in paragraph 2.1.1 above and without derogating from the members' obligations under the By-Laws, each of the members hereby gives the Clearing House an authorization and an irrevocable power of attorney to execute a call for immediate payment as referred to in paragraph 2.1.1 above and, in order to do so, debit the monetary account, as specified in Chapter Six of Part Two of the By-Laws.
- 4.1.2 The authorization and irrevocable power of attorney are irrevocable and since the rights of the Clearing House depend on them they shall, for all intents and purposes, remain in effect and shall not be canceled, even by a removal of the member's qualification or by a receivership of the member's assets or by its liquidation.
- 4.1.3 In order to remove all doubt it is hereby clarified that every member is deemed to have agreed to give the authorization and irrevocable power of attorney by the very fact of its membership in the Clearing House and as long as it is a member thereof, without any need to perform any additional act whatsoever.
- 4.2 It is hereby clarified that the aforesaid does not obligate the Clearing House to take any action under the above authorization and power of attorney and it does not derogate from any right of the Clearing House under the By-Laws or under any statute, and that the Clearing House shall have the right not to act under the above authorization and power of attorney and to act in any other manner, as it shall deem proper, and that includes – but without derogating from the generality of the aforesaid – the right of the Clearing House to realize collateral given to it under the By-Laws, all at the discretion of the Clearing House.

5. Delegation of Powers

- 5.1 The Clearing House may (but is not obligated to) delegate part of its powers, as is specified in this Chapter, to any member or to a committee composed of – inter alia – representatives of members, experts or advisers or any third party whatsoever, and it may also employ advisers, experts or any third parties and authorize them to perform the acts or any part thereof for the performance of its tasks that are specified in this Chapter, all at the discretion of the Clearing House.
- 5.2 In order to remove any doubt, it is stated that the Board of Directors of the Clearing House does not have the right to delegate its powers that are specified in paragraphs 2.1.1.a. and 2.1.2.b. above.

6. Lien and set-off

Without derogating from any rights that the Clearing House has under the By-Laws and under any statute –

- 6.1 As long as a member has any obligation toward the Clearing House, including – but without derogating from the generality of the aforesaid – a conditional obligation, an obligation that is uncertain or an obligation the date of payment of which has not yet fallen due, then the Clearing House shall have the right to retain in its possession any asset or right due from it to the member, including – but without derogating from the generality of the aforesaid – any asset given to the Clearing House as collateral, and it may also realize – by itself or in some other manner that shall be determined by it – the assets retained by it, sell them and use the consideration for them to pay the member's obligation toward it.
- 6.2 6.2.1 In addition to the aforesaid and without derogating from the right of lien, the Clearing House shall have the right to set off any obligation of a member toward it, of any kind whatsoever, against any obligation of the Clearing House toward the member, of any kind whatsoever, including – but without derogating from the generality of the aforesaid – any amounts due to the member from the Clearing House in any manner whatsoever, on any grounds whatsoever, as part of any transaction whatsoever or according to any account whatsoever or against the collateral that was given to the Clearing House or the consideration for it or amounts received from their realization or any part thereof.
- 6.2.2 The set-off shall be deemed to have been carried out if the member does not pay the Clearing House any amount due from it on the date set for its payment, also when one or several of the events occur that entitle the Clearing House to call for the immediate payment of any debt, and that without any need to serve any notice on the member and even if the set-off has not yet been carried out on the books of the Clearing House.

7. Exemption from liability

The Clearing House or any person on its behalf (including those to whom powers were delegated as referred to in paragraph 5 above) shall be exempt from any liability for any act of commission or omission performed in good faith in the course of performing their

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tasks under the By-Laws or as part of implementing the fixed charge agreement, including – but without derogating from the generality of the aforesaid – for any act of commission or omission they performed in the exercise of the discretion vested in them by the By-Laws or by the fixed charge agreement, which includes the exercise of their powers as specified in paragraph 2.1.1 above or in connection with the delivery of demands for payment or the realization or abstention from the realization of collateral or in connection with the provision of a service or of an undertaking or in abstaining from the provision of a service or of an undertaking by the Clearing House to any member or to any other person.

8. Ad hoc provision

- 8.1 In addition to the above provisions of this Chapter, of Chapter Three above, of Chapter Three “A” above and of Chapter Nineteen “B” in Part Two of the By-Laws, in any instance in which monetary clearing is not carried out by the Bank of Israel, the Clearing House shall daily calculate the amounts to the credit or to the debit of the member in his monetary account, payment of which was supposed to be carried out by means of the daily clearing by the Bank of Israel, but was not carried out as aforesaid, and that beginning with the first day on which monetary clearing is not carried out at the Bank of Israel and until the day of the calculation; the calculation shall be by way of setting off the sum total of credit balances against the sum total of the debit balances in order to obtain the cumulative daily net balance, whether to the debit or to the credit of the member (hereinafter: “the daily balance”).
- 8.2 If the daily debit balance is greater than 25% of the member's equity, according to the last financial statements that he submitted, the Manager of the Clearing House shall instruct the member to deposit – on a date that he shall set – collateral of the kinds specified in paragraph 2.1 of Chapter Three “A” above, and that in order to secure the member's monetary clearing (hereinafter: “the additional collateral”).
- 8.3 The value of the additional collateral, as referred to in paragraph 2 of Chapter Three “A” above, shall be the amount of the difference between the amount of the daily debit balance and an amount that equals 25% of the member's equity, according to the aforesaid financial statements.
- 8.4 The additional collateral shall be deposited in the Clearing House collateral account dedicated to the member, as specified above in paragraph 3 of Chapter Three “A” above, as part of a separate subaccount that shall be opened for this purpose.
- 8.5 It is hereby clarified that the additional collateral shall be deposited in addition to all the collateral the member is required to deposit in order to secure performance of the member's obligations toward the Clearing House, including collateral to secure the member's share in the Risk Fund and also to secure the member's obligations in respect of Repo transactions, as specified in Chapter Nineteen “B” in Part Two of the By-Laws, and paragraphs 2 to 4 of Chapter Three “A” above and paragraphs 2 and 4 to 7 of this Chapter shall apply to it.
- 8.6 If a member did not deposit additional collateral as required on the date set therefor by the Manager of the Clearing House, then the Manager of the Clearing House, in consultation with the CEO of TASE and the chief risk manager, shall order a temporary interruption in the provision of Clearing House services to the member

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(hereinafter: "temporary interruption").

When the Manager of the Clearing House has ordered a temporary interruption as aforesaid, he shall immediately inform the Chairman of the Board of Directors of this, and the latter shall act to convene a meeting of the Board of Directors as soon as possible, in order to discuss the continued provision of Clearing House services to the member.

If the member deposits additional collateral, as required, during the period of the temporary interruption or if the member's monetary clearing is carried out in his account with the Bank of Israel, then the Manager of the Clearing House, in consultation with the CEO of TASE and the chief risk manager, may order that the provision of clearing services be resumed.

- 8.7 The provisions of this paragraph shall not derogate from the undertaking of any member to pay to the Clearing House any amount that is due to the Clearing House, or derogate from any right available to the Clearing House because of any member's non-payment of any debt whatsoever to it under these By-Laws or under any statute.

9. Calculating the value of the obligations and rights of the failed member and of the Clearing House

If the Board of Directors of the Clearing House has decided to call for the immediate payment of the obligations of a failed member, the Clearing House shall calculate the value of the obligations and rights of the failed member and of the Clearing House, as at the time of calling for the immediate payment of the member's obligations, as specified below.

- 9.1 The time for performing all the member's obligations shall be brought forward shall be applied at the time of calling for immediate payment;

Netting – The value of the obligations or rights of one party (the failed member or the Clearing House, as the case may be) toward the other party (the Clearing House or the failed member, as the case may be) shall be the obligations or rights, net of the obligations or rights of the other party toward it.

- 9.2 The value of the obligations or rights resulting from pending transactions or failed transactions to which the failed member is a party shall be calculated as stated in Chapter Five in Part Two of the By-Laws.

- 9.3 In a situation where the By-Laws do not prescribe the way to calculate the debit or credit, the fair value of the debit or credit shall be calculated in one of the following ways:

- 9.3.1 The consideration in the original transaction, net of all the expenses that the Clearing House shall incur in selling the security, in the event that the failed member is entitled to the consideration, and with the addition of all the expenses that the Clearing House shall incur, in the event that the failed member is entitled to the security.

9.3.2 The market value.

For this purpose:

“Market value” – means: an amount that, in the opinion of the Clearing House, reasonably represents the fair value, based on sources and methods for the determination of prices, including by way of evaluating the value of alternative transactions on the market on which the such transactions are conducted, provided that such methods are based on accepted commercial criteria for evaluating the obligations and rights of the parties on the aforesaid market; all as shall be deemed correct and appropriate by the Clearing House, less all the expenses connected to the sale of the securities, in the event that the member is entitled to the consideration from the securities’ sale, and with the addition of all the expenses connected to the purchase of the securities, in the event that the member is entitled to receive the securities.

CHAPTER FOUR- CLEARING HOUSE SERVICES

1.
 - a. The Clearing House shall provide services to its members and also to NCHMs through members, as prescribed in the By-Laws.
 - b. The Clearing House shall provide services to the Ministry of Finance or to persons designated by it in respect of anything connected to the clearing and settlement of Government Bonds.
 - c. The Clearing House shall operate the lending facility of the Ministry of Finance.
 - d. The Clearing House shall operate the collateral system of the Bank of Israel.
 - e. The Board of Directors may decide to provide services also to others, either directly or indirectly.
2. Without derogating from the provisions of paragraph 1, Clearing House services shall include:
 - a. registration with the Clearing House, to the credit of members, of securities traded on TASE;
 - b. the clearing of transactions in securities traded on TASE and on the MTS system, as specified below:
 - 1) transactions carried out on TASE and on the MTS system;
 - 2) transactions carried out off TASE;
 - 3) transfers to a custodian for custody;
 - c. clearing of open Mutual Fund units;
 - d. accepting deposits, performing withdrawals and transfers of securities traded on TASE;
 - e. acts specified below that relate to securities and open Mutual Fund units entered with the Clearing House to the credit of members:
 - 1) credits and debits that stem from interest, linkage differential and dividend payments, including the handling of notices of exemption from withholding tax and of waiver notices;
 - 2) credits and debits that stem from bonus share distributions;
 - 3) the exercise of convertible securities and their conversion;
 - 4) the exercise of purchase rights;
 - 5) splits / mergers / capital reductions;
 - 6) credits and debits that stem from redemptions;
 - 7) issuing certifications of balances;
 - 8) credits and debits that stem from company mergers;

- f. the provision of services to the Stock Exchange, including the collection of payments for it, and the provision of services to the Derivatives (MAOF) Clearing House;
 - g. clearing securities that are not listed for trading on TASE (hereinafter: NLT) in accordance with the decision of the Manager of the Clearing House, as specified in Part Two of the By-Laws in the Chapter that deals with the clearing of securities that are not listed for trading on TASE (NLT);
 - h. issuance clearing services.
 - i. operation of the lending reserve of the Ministry of Finance;
 - j. operation of the collateral system of the Bank of Israel.;
 - k. claim services;
 - l. operation of the Clearing House's lending pool;
 - m. any other service, that the Board of Directors will prescribe.
3.
 - a. The Board of Directors may, at any time, restrict or expand the scope of the above services.
 - b. The Board of Directors may determine what is the scope of the services that are given to each kind of member and it may determine the scopes of the various services given to the different kinds of members.
 4. The provisions of Part Two of the By-Laws shall apply, mutatis mutandis and with the necessary adjustments, to Clearing House services provided in connection with the securities of a foreign body corporate, which reports in accordance with Chapter Five "C" of the Securities Law and is traded on TASE; whenever it is not possible to apply the provisions of the By-Laws in respect of an aforesaid body corporate, the CEO of the Clearing House is authorized to prescribe provisions about the clearing services that will be provided.
 5.
 - a. The fees and handling charges for the services that the Clearing House provides shall be as set forth in the price list that constitutes an appendix to the regulations pursuant to the Sixth Part of the TASE Rules
 - b. Without derogating from the aforesaid, the Clearing House may charge fees and handling charges for TASE's services, at rates and in a manner that shall be prescribed from time to time in the TASE Rules and in regulations thereunder.
 - c. The Clearing House may condition the provision of services under this chapter on the settling of outstanding debts to TASE and to TASE Clearing House.

CHAPTER FIVE- USE OF THE CLEARING HOUSE'S SYSTEMS

1. In this Chapter –

Terms	Definitions
“System”	The Extranet System, the MSR System, or the Clearing House’s Lending Pool System, as the case may be.
"Extranet System	a computerized system operated by the Clearing House, intended for the transmission of orders from members to the Clearing House and for the transmission of notifications and reports from the Clearing House to members;
"MSR System"	A computerized system operated by the Clearing House, that is intended for the relay of orders from members to the Clearing House and for the transfer of notices and reports from the Clearing House to members
“Clearing House’s Lending Pool System”	A computerized system operated by the Clearing House, which is intended for the transmission of orders from members to the Clearing House’s lending pool and for the transfer of notices and reports from the Clearing House’s lending pool to members;
"agent" –	a person to whom the Clearing House issued a personal authorization to use the System, in the member's name, in accordance with the member's request that was submitted to the Clearing House by the appointee on the member's behalf;
"appointee" –	a person appointed by a member to be the member' authorized representative on all matters connected to requests from the Clearing House to authorize agents to use the System, and to matters connected to the cancellation of authorizations that had been given to agents.

2. a. The Clearing House shall, from time to time, prescribe the kinds of orders, reports and notifications that shall be transmitted from and to the Clearing House over the System.
- b. Any order that a member transmitted to the Clearing House over the System shall not be transmitted to the Clearing House by any other means.

If the Clearing House transmitted a report or a notification over the System it may – but is not obligated –send it also by other means that are used in the Clearing House.

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- c. In the event that it is not possible to transmit orders, reports or notifications over the System, the orders from members and notifications and reports from the Clearing House shall be transmitted by other methods, as the Clearing House shall prescribe. In the case of the Clearing House's Lending Pool System, it is clarified that, if it is not possible to transmit orders to the Clearing House over the System, it shall not be possible to transmit them to the Clearing House by other methods, as aforesaid.
- d. The Clearing House shall, from time to time, prescribe the means of accessing the System. Those means may include the user's name, a personal password, a token or any other means, as it shall prescribe from time to time (hereinafter: "means of access").
3. a. Use of the System is restricted to agents.
- The member shall decide who are the agents authorized to use the System on its behalf.
- The Clearing House will issue to the agents on behalf of each member personal authorizations to use the System and that according to the following provisions and as the Clearing House shall prescribe from time to time.
- A member's request that authorization be issued to an agent on its behalf shall be submitted to the Clearing House by an appointee on behalf of that member.
- b. The member is responsible that only agents on its behalf act on the System.
- The member shall be responsible for every act performed on the System by use of the means of access that were issued to agents on its behalf, also when the agent exceeded the authority granted him by the member and also when the act was performed by a person other than an agent.
- The member shall bear any damage or expense caused the Clearing House in consequence of an aforesaid act.
- c. The member shall be responsible for the adoption of all the security measures that are required in order to safekeep the means of access given to an agent on its behalf.
- If means of access that were issued to an agent are lost or stolen, the member shall immediately inform the Clearing House and request that the authorization issued to the agent who had held the means of access be canceled. A said request shall be submitted in the manner prescribed in sub-paragraph d. below.
- The member shall bear the cost of the means of access that were stolen or lost as aforesaid.
- If a member wishes to renew an authorization that was canceled in consequence of a loss or theft, as aforesaid, he shall submit an application for a new authorization.
- d. A request for the cancellation of an authorization shall be submitted to the Clearing House in writing.
- When a said request is received at the Clearing House, the Clearing House shall cancel the authorization within the time specified below (hereinafter: "time to cancellation"):

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If the request to cancel an authorization is received by the Clearing House in the course of a trading day, the Clearing House shall cancel the authorization within three hours after it received the request.

If the request to cancel an authorization is received by the Clearing House on a day that is not a trading day or after a trading day ended, the Clearing House shall cancel the authorization by 10:00 AM of the first trading day after the date on which the notification was received by the Clearing House.

Until the end of the time to cancellation or until the Clearing House actually cancels the authorization, whichever is earlier, the member shall continue to be responsible for every act performed on the System according to the authorization.

When an authorization that was given to an agent has been canceled, the member shall deliver to the Clearing House all the physical means of access, by use of which access to the System was made possible, and that within three business days after the cancellation request was received by the Clearing House.

If means of access are not returned as aforesaid, the Clearing House shall debit the member for the cost of the means of access.

4. a. A member shall appoint an appointee on its behalf for each one of the systems and send the Clearing House a writ of appointment of the appointee on its behalf, as formulated in Appendix Two "F" of the By-Laws.

As long as a writ of appointment of the appointee has not been canceled in the manner prescribed in sub-paragraph b. below, every act performed by the appointee shall for all intents and purposes be deemed an act performed by the member; the member shall be liable for all acts by the appointee and for every damage or expense caused the Clearing House in consequence of the appointee's acts.

- b. The cancellation of an appointee's writ of appointment shall be by a written notification from the member to the Clearing House. The cancellation shall go into effect at the end of the trading day on which the cancellation notification was received by the Clearing House. If the cancellation notification is received by the Clearing House on a day that is not a trading day, the cancellation shall go into effect at the end of the first trading day after the day on which the cancellation notification was received by the Clearing House.

All the authorizations issued before the cancellation of the appointee's writ of appointment shall remain in effect, as long as they were not canceled according to the provisions of these By-Laws.

- c. The Clearing House shall issue a member authorizations to use System only under a request by the member's appointee. The request for the issue of authorization to use the Extranet System shall be as formulated in Appendix Two "G" of Part One of the By-Laws, the request for the issue of authorization to use the MSR System shall be as formulated in Appendix Two "G(A)" of Part One of the By-Laws and the request for the issue of authorization to use the Clearing House's Lending Pool System shall be as formulated in Appendix Two "G(B)" of Part One of the By-Laws.

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- d. Authorizations issued by the Clearing House before this Chapter went into effect shall remain in effect, as long as they were not canceled by the member in the manner prescribed in these By-Laws.

CHAPTER SIX – CLOSED COMMUNITY OF PARTICIPANTS
IN THE SWIFT NETWORK

1. In this Chapter –

Terms	Definitions
"SWIFT"	- the Society for Worldwide Interbank Financial Telecom SCRL, which set up and operates an international network for the transmission of notifications between clients by means of computer communications (the SWIFT network);
"CCP"	- the Society for Worldwide Interbank Financial Telecom SCRL, which set up and operates an international network for the transmission of notifications between clients by means of computer communications (the SWIFT network);
"CCP participant"	- a Clearing House member who is a client of SWIFT and joined the CCP, as specified below in this Chapter.

2. a. The Clearing House signed an agreement with SWIFT (hereinafter: "the agreement"), according to which SWIFT set up the CCP.

The CCP shall operate as long as the agreement between the Clearing House and SWIFT is in effect.

If the Clearing House or Swift decide to terminate the agreement, the Clearing House shall so inform the CCP participants and the activity of the CCP shall cease according to a schedule that will be formulated between the Clearing House and SWIFT.

b. According to the agreement the Clearing House has an obligation to indemnify SWIFT in the instances specified in the agreement

If the activity of a CCP participant causes the Clearing House to be required to compensate or to indemnify SWIFT, then the Clearing House will charge that CCP participant the amount that the Clearing House will pay to SWIFT.

Before the Clearing House makes any payment at its initiative in order to indemnify or compensate SWIFT as aforesaid, it shall inform the CCP member of every demand from SWIFT for aforesaid indemnification or compensation and will enable him to defend himself against it, at the expense of the CCP member, and it shall assist him as far as possible.

c. 1) The Clearing House and the Stock Exchange and also persons who act on their behalf – that is their officers, managers and persons employed by them (all these are hereinafter in this paragraph called "persons who act on behalf of the Clearing House") shall be exempt and shall not bear any responsibility or liability whatsoever in respect of any loss, damage, expense or deficit of any

kind whatsoever (hereinafter in this paragraph: "damage") that is liable to be caused any person or entity whatsoever, including – but without derogating from the generality of the aforesaid –

CCP participants, due to any act, commission or omission of any kind whatsoever (except if done with malice) by the Clearing House, by the Stock Exchange or by any person who acts on behalf of the Clearing House on all matters connected to this Chapter or to the provision of clearing services through the CCP.

- 2) Without derogating from the generality of the aforesaid, the Clearing House and the Stock Exchange and also the persons who act on behalf of the Clearing House shall be exempt and shall bear no responsibility or liability for any loss, damage, expense or deficit of any kind whatsoever (hereinafter in this paragraph: "damage") that is liable to be caused any person or entity whatsoever, including – but without derogating from the generality of the aforesaid – CCP participants, because of any act, commission or omission of any kind whatsoever by SWIFT or by any person on its behalf, all whether it is or is not connected to any act whatsoever performed by the Clearing House.

3. a. Clearing House members who are clients of SWIFT and want to join the CCP as CCP participants shall address applications to the Clearing House.

The application shall be in the formulation of Appendix Two "H" of the By-Laws and it shall specify for which subaccounts the member wants to transmit orders and to receive reports and notifications through the CCP; it shall also specify in respect of each aforesaid subaccount which orders, reports and notifications that concern it and that the member wants to send or receive, as the case may be, through the CCP.

The Clearing House may – at its sole discretion – approve or reject the application and it may also approve the application subject to conditions, and as part thereof it may restrict the service to certain subaccounts or to certain services.

- b. When a member's application has been approved by the Clearing House, that member shall apply to SWIFT and register with SWIFT as a CCP participant.
- c. After SWIFT informed the Clearing House that a member registered as a CCP participant, the Clearing House shall so inform the member and it shall also inform him on what date he may begin to act as a CCP participant.
- d. A CCP participant may apply to the Clearing House for an expansion or contraction of his activity through the CCP.

The application shall be as formulated in Appendix Two "I" of the By-Laws and it shall specify the nature of the requested change, as well as the particulars said in subparagraph a. above, *mutatis mutandis*.

The Clearing House may, at its sole discretion, approve or reject an application for the expansion of a CCP member's activity and it also may approve the application subject to conditions, and as part thereof it has the right to restrict the service to certain subaccounts or to certain services.

4. a. The Clearing House shall, from time to time, decide at its sole discretion which orders and which reports and notifications shall be transmitted through the CCP.
 - b. Any order that a CCP participant transmitted to the Clearing House through the CCP shall not be transmitted to the Clearing House by any other means.

When the Clearing House has transmitted a report or notification through the CCP, it may, but does not have to send them also by other means commonly used by the Clearing House,
 - c. In any case, in which it is impossible to transmit orders, reports or notifications through the CCP, the orders from the members and the notifications and reports from the Clearing House shall be transmitted by means that the Clearing House shall prescribe.
5. a. For services that a CCP participant received through the CCP, the CCP participant shall pay the payments directly to SWIFT, as will be prescribed by SWIFT from time to time.
 - b. CCP participants undertake to act according to the General Rules of SWIFT, as they will be from time to time, to the extent that they are applicable to the services provided through the CCP.