



December 16, 2018

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Adjustments to TASE Trading Rules for Co-location Services and the Implementation of OTRs on Quote Generator Activity

1. We hereby inform you that the Israel Securities Authority (ISA) has approved the amendment of Tel Aviv Stock Exchange (TASE) regulations regarding the adjustment of trading rules for co-location services.

The text of the approval can be viewed at the following link (Hebrew):

<https://mayafiles.tase.co.il/reports/1198001-1199000/E1198710.pdf>

The amended regulations shall become effective on Tuesday, 1 January 2019.

Please note:

- TASE will not charge its members for excess orders until 31 March 2019.
- Limits on **volume based** OTRs will not be implemented at this time. Parameters for **OTR vol** will be set at a later date in 2019, and will be announced accordingly.

2. The New OTR Rules

(1) Transaction based OTR Orders

All quote generators will be required to meet OTR limits, which are set as follows:

Transaction-based OTR:

$$OTR_{no} = \frac{Number_of_or}{Number_of_tr + Floor} - 1$$

Where:

Term	Definition
OTR_{no}	– The ratio between the number of orders submitted through the quote generator which were not executed and the number of orders submitted through the same generator that were executed.

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Number_of_or – The number of orders submitted through the quote generator, for a group of securities or a group of derivatives, on a given trading day.

Number_of_tr – The number of orders executed for a group of securities or a group of derivatives, entirely or partially, on a given trading day.

Floor – The number representing the daily quota of orders not taken into account in the calculation of the ratio.

For calculation purposes, the “orders” will be counted as follows:

- Buy/sell order – 1
- Cancellation order (the original buy/sell order is counted separately) – 1
- Modified order (the original buy/sell order is counted separately) – 1

(2) Parameters at the securities group level

The following are maximum transaction based OTR limits:

Please note that the parameters are set at the securities or derivatives group level (as outlined in the following table) and that the vetting of a quote generator’s compliance to OTR limits is similarly conducted collectively, for all the securities of the same group.

Parameters for quote generation activity conducted by parties other than statutory or TASE-appointed market makers

Market	Securities Group	Maximum OTR	FLOOR
Stock	All securities traded on the stock market	750	100
Bond	All securities traded on the bond market	750	100
M.K.M	M.K.M	750	100
TACT Institutionals	All securities traded on TACT Insitutionals	750	100

Derivatives	TA-35 index – “long” series*	500	80
	TA-35 index – all series not included in the previous group	500	20
	TA-125 index	500	80
	NIS/dollar – “long” series	500	80
	NIS/dollar – all series not included in the previous group	500	20
	Shekel/Euro	500	80
	Equity options	500	200
	TA-banks index	500	80

* Long series – series of derivatives for which the exercise date follows the exercise date of the nearest monthly derivatives series.

Parameters for statutory and TASE-appointed market makers

Market	Securities Group	Maximum OTR	FLOOR
Stock	All securities traded on the stock market and for which there is market making activity by a market maker	1500	100
Bond	All securities traded on the bond market and for which there is market making activity by a market maker	1500	100

For the purpose of vetting market maker compliance with the OTR limits, the total activity of a market maker through all quote generators operated by it, at each one of the TASE members through which it operates, will be taken into account.

(3) Payment for the violation of OTR limits

TASE will demand payment from a member, should a quote generator operating through it violate an OTR limit.

In these cases, TASE members will pay TASE a sum, plus V.A.T., as set by the TASE board of directors from time to time, for each excess order, according to the following formula:

“Excess Order – OR”

$$OR = \text{Number_of_or} - [\text{Number_of_tr} + \text{Floor}] \times [\text{OTR}_j + 1]$$

Where

Terms	Definitions
OR	– Excess order
<i>Number_of_or</i>	– Number of orders submitted through a quote generator, for a securities group or derivatives group, on a given trading day.
<i>Number_of_tr</i>	– The number of orders executed for a group of securities or a group of derivatives, entirely or partially, on a given trading day.
Floor	– The number representing the daily quota of orders not taken into account in the calculation of the ratio.
OTR_j	– The maximum transaction based OTR for securities group j or derivatives group j as set by the TASE Chief Executive Officer.

For inquiries on this matter, contact the Trading and Index unit at the following phone number: 076-8160356

Respectfully,

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Trading and Index Unit