

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

Part One - General

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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 the Exchange Rules and in regulations under them, unless it is explicitly stated otherwise.
2. The following terms shall have the following meaning:

"Government bond" – a bond issued under the Government Loan Law 5739-1979;

"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 securities and purchase offers;

"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;

"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;

"bank with a high short term rating" – a bank with a short term rating as follows:

- 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.
- on condition that none of the above rating companies rated it lower than the rating specified above;

"coordinating bank" – a member, which is a bank that centralizes the securities holdings of an issuer that are entered in the name of a nominee company; notwithstanding the aforesaid, in respect of Government bonds the Ministry of Finance or whoever was designated by it shall be the coordinating bank, and in respect of short term loans the Bank of Israel shall be the coordinating bank.

"dollar" – U.S. dollar;

"Board of Directors" – the company's Board of Directors or a Board of Directors Committee appointed and empowered by the Board of Directors.

"the Exchange" – the Tel Aviv Sock Exchange B.M.;

"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;

"multilateral payment orders" – payment orders that include debits and credits of three or more monetary accounts, the debits and credits thereof totaling zero;

"the Company" – the Stock Exchange Clearing House Ltd., which is number 52-002715-2 on the Companies Register;

"swap" – an off Exchange transaction, in which the Ministry of Finance buys Government bonds against other Government bonds, in order to withdraw them from the Clearing House;

"conversion" – a conversion or the exercise of a security or the exercise of rights.

"loan transfer return" - a transfer of securities that is part of a loan of securities, not for monetary consideration, 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 of securities that is part of a loan of securities, not for monetary consideration, 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.

"transfer to a custody" - transfer to custody (on Exchange) and transfer to custody (off Exchange)

"transfer to a custody (on Exchange)" – a transfer of securities carried out in continuation and immediately after an Exchange transaction against the transfer of at least 99.5% of the monetary consideration set in the Exchange transaction, on condition that a said transfer does not include any transfer of the securities' ownership and all the conditions prescribed in subsection a. or all the conditions prescribed in subsection 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 Stock Exchange member who bought the securities on the Exchange 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 Stock Exchange member who sold the securities on the Stock Exchange for that client,

"transfer to a custody (off Exchange)" – each of these:

- a. a transfer of securities carried out in continuation and immediately after an off Exchange transaction, on condition that the said transfer does not include any

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transfer of the securities' ownership and all the conditions prescribed in subsection 1) or all the conditions prescribed in subsection 2) below hold true for it, as follows:

- 1) the securities are transferred from an account in the client's name, which is kept with a Stock Exchange member who bought the securities for that client or from a general clients account kept by the Stock Exchange 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 Stock Exchange member who sold the securities for that client or to a general clients account with another Stock Exchange member who sold the securities for that client.
- b. a transfer of securities carried out in continuation and immediately after an Exchange transaction, on condition that the said transfer does not include any transfer of the securities' ownership and all the conditions prescribed in subsection 1), all the conditions prescribed in subsection 2) or all the conditions prescribed in subsection 3) below hold true for it, as follows:
- 1) a transfer of securities in respect of which all the conditions required for a transfer to a custody (on Exchange) have been complied with, except for the provision according to which the transfer is made against the transfer of at least 99.5% of the monetary consideration set for the Exchange transaction;
 - 2) the securities are transferred from a general clients account kept by the Stock Exchange 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 Stock exchange member who sold the securities for that same client.

"transferring securities without monetary consideration" –

- 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 from an issuing center to the accounts of Exchange members who acquired securities at issue;

"DR transfer" –

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a transfer of shares by a member in order to create or to cancel a GDR/ADR (hereafter: DR), carried out from the account of the member's client to the account of the issuer of the DR, or from the account of a said issuer to that client's account.

"member" – whoever was accepted as member of the Clearing House in accordance with the provisions of the By-laws;

"foreign company" – a company incorporated abroad, which is listed for trading on the Exchange;

"nominee company" – a nominee company that is a wholly owned subsidiary of a coordinating bank; notwithstanding the aforesaid, in respect of Government bonds, the Ministry of Finance or whoever will be designated by it shall be the nominee company, and in respect of short term loans the Bank of Israel shall be the nominee company;

"NCHM" (not a Clearing House member) – a member of the Exchange that is not a member, including a candidate for membership in the Exchange

"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;

"member that clears for NCHM" – a member that, under an agreement with an NCHM, performs monetary and securities clearing for the NCHM;

"representative member" – an Exchange member, whom a Fund Manager appointed as its representative in respect of the transmission of orders for units, of redemption orders and of cash from the Clearing House to the Fund Manager, and in respect of the transfer of cash from the Fund Manager to the Clearing House;

"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;

"By-laws" – the By-laws, as they will be from time to time;

"member's obligations" – including all of a member's obligations of any kind whatsoever toward the Clearing House under the By-laws, under any agreement and under any statute, as they will be from time to time, and including – but without 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

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- clients of the PD, for the Repo participant or the clients of the Repo participant; and
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- e. all the member's obligations toward the Clearing House in connection with his share of the Risk Fund.

"multilateral clearing window" – a time interval, during which the Clearing House sends multilateral payment orders to the System, in accordance with the System Rules;

"NBM" (non-bank member) – a member that is not a bank;

"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).

"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;

"trading day" – a day on which trading takes place on the Exchange;

"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;

"day of receipt" – a trading day, on which a document or payment was received at the Clearing House if it was received at the Clearing House until 12:00 noon of that day, or the first following trading day, if it was received at the Clearing House after 12:00 noon of that day, except where the By-laws provide otherwise;

"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.

"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;

"daily net balance" – the amount found by adding all the net debit balances on a certain business day;

"balance to deliver" – the balance of the quantity that a selling member in a Stock Exchange transaction or a member who transfers to custody (on Exchange) 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.

"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;

"**balance to receive**" – the balance of securities that a member who buys in a transaction on the Stock Exchange or a transferee member in a transfer to custody (on Exchange) 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;

"**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;

"**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;

"**inventory**" – securities entered at the Clearing House to the members' credit;

"**Clearing House**" – the Company and also the Clearing House operated by it;

"**Ma'of Clearing House**" – the Ma'of Clearing House Ltd.;

"**RTGS System**" or "**the System**" – a system for same day real time clearing of payments, managed by the Bank of Israel;

"**MTS system**" – the trading system known under the name of MTS Israel and operated by MTS;

"**distributor**" – an Exchange member, to whom orders for units may be submitted, within the meaning of that term in the Mutual Investment Trusts Law 5754-1994;

"**short term loan**" or "**Makam**" – a bond issued under the Short Term Loan Law 5744-1984;

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);

Repo participant – an NMP and an MPRT;

"**custodian**" – a member with which securities are registered to a client's credit;

"**securities**" – securities within the meaning of that term in section 52 of the Securities Law, other than derivatives, which are registered for trading on the Exchange, and any other security in accordance with a Board of Directors decision;

"**DCS**" (dual clearing security) – foreign DCS and Israeli DCS;

"**foreign DCS**" – the security of a foreign company, which is traded both in Tel Aviv and in the United States and is cleared through both the Clearing House and through DTC;

"**Israeli DCS**" – the security of a company incorporated in Israel, which is traded both in Tel Aviv and in the United States and is cleared through both the Clearing House and through DTC;

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"**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);

"**Stock Exchange transaction**" – the purchase or sale of a security carried out in the course of trading on the Stock Exchange or in the course of trading on MTS;

"**off Exchange transaction**" – a Stock Exchange transaction or a transfer to custody (on Exchange) that is not a Stock Exchange transaction;

"**pending transaction**" – a transaction on the Stock Exchange or a transfer to custody (on Exchange) 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 Exchange) relates;

"**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;

"**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.

"**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).

"**reverse Repo with the Bank of Israel (cash)**" – an off-Exchange transaction between a member and the Bank of Israel, as part of which the member transfers short term loan certificates to the Bank of Israel against cash, or as part of which the Bank of Israel transfers short term loan certificates to the member against cash.

"**reverse Repo with the Bank of Israel (MTM)**" – an off-Exchange transaction without monetary clearing, as part of which the Bank of Israel transfers Government bonds or short term loans to a member or as part of which the member transfers Government bonds or short term loans 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);

"**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 –

- 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.

"**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.

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"Fund" or **"Mutual Fund"** – an open fund, as defined in the Mutual Investment Trusts Law 5754-1994;

"Special Fund" – a fund, for which – in accordance with the provisions of its prospectus – orders to create units and requests to redeem them may be submitted in two phases, the price of its units being determined twice on each trading day on the basis of the prices of the fund's assets at the end of each phase of trading, as specified in the prospectus;

"First leg" – the transfer of Repo certificates by the transferor to the transferee against transfer of the consideration by the transferee to the transferor;

"Second leg" - the transfer of Repo certificates by the transferee to the transferor against transfer of the consideration by the transferor to the transferee;

"repurchase" – repurchase against cash or in exchange.

"cash repurchase" – an off Exchange transaction, in which the Ministry of Finance buys Government bonds against monetary consideration, in order to withdraw them from the Clearing House;

"claim service" – a claim service provided to members by the Stock Exchange, as specified below in Chapter Five of Part Two of the By-laws;

"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;

"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.

"MTS security" – a Government bond traded on the MTS system, the Clearing House having agreed to clear the transactions carried out with it.

"share basket certificate" – a basket certificate, within its meaning in the Rules of the Stock Exchange, the underlying asset of which is a share index;

"debenture basket certificate" – a basket certificate, within its meaning in the Rules of the Stock Exchange, the underlying asset of which is a debentures index.

"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 carried out with it.

"DF or Delivery free" – withdrawal of a dual clearing security from the account of a Clearing House member;

"DTC" – The Depository Trust Company – the clearing house that provides security clearing and custody services in the United States;

"MTS" – Euro MTS Ltd., the company that operates the MTS system;

"RF" or "Receive free" – the deposit of a dual clearing security in the account of a Clearing House member.

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.
 - a.
 - 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.
 - 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 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 General Manager 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 the notification or order shall be proof that the member or the NCHM addressed the Clearing House, of the contents of the order or notification and of the time when it was delivered to the Clearing House;

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- 2) 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 the Stock Exchange internet site, the address of which is www.maya.tase.co.il.

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 respect of the composition of the committee said in these by-laws, the members of which are the Chairman of the Board of Directors of the Stock Exchange Clearing House and the Director who serves as General Manager of the Stock Exchange, in the absence of the Chairman of the Board of Directors of the Stock Exchange Clearing House his place on the Committee shall be taken by the Director who replaces him in his position as Chairman of the Board of Directors of the Clearing House, and in the absence of the Director who serves as General Manager of the Stock Exchange his place on the Committee shall be taken by whoever takes his place as Director on the Board of Directors of the Clearing House.

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.

2. Qualifications for Membership

An applicant for membership must comply with the following conditions:

- a. it is an Exchange member; a remote member shall not be a Clearing House member;
- b. 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 Rules of the Stock Exchange.

- 1) a) 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 Stock Exchange member that is a member, as specified in Part One of the Stock Exchange Rules.
- b) 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 Stock Exchange member that is a member, as specified in Part One of the Stock Exchange Rules, or NIS 120 million, linked to the index of June 2002, whichever is the greater amount.

- c) 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 120 million, linked to the index of June 2002.
- 2) In addition to the equity required under paragraph 1) above, if a member wishes 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:
- a) clearing services for additional equity of NIS 5 NCHM according to the million for each NCHM for provisions of Chapter whom the member provides One in Part Two of the clearing services By-laws
 - b) for each additional client additional equity of NIS 5 subaccount (after the million the first client subaccount) as said in Chapter Four in Part Two of the By-laws
 - c) provision of clearing additional equity of NIS 120 services to Repo partici- million, linked to the index of pants, as said in ChapterJune 2002, for each Repo Nineteen "A" in Part Twoparticipant for whom the the By-laws member provides clearing service of Repo transactions
 - d) provision of clearing additional equity of NIS 25 services by a member to for each PD for which the PDs, as said in Chapter member provides clearing Nineteen in Part Two ofservices.the By-laws.
- c. it maintains a technical and organizational set-up, which enables it to function as a member;
 - d. it will participate in the Risk Fund, as provided by the By-laws;
 - e. it will give the Clearing House collateral and guaranties, as the Board of Directors shall prescribe from time to time;
 - f. it will insure itself by an appropriate insurance policy, which will cover its activity in the Clearing House;
 - g. if it is a bank – it participates in the RTGS System.
 - h. 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.

3. **Application for Membership**

- a. An applicant for membership (hereafter: "the applicant") shall submit an application to the Clearing House, as worded in Appendix One of the By-laws (hereafter: "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.

- 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 subsection 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 19,285 (linked to the index of December 1999).
 - 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 96,425 (linked to the Consumer Price Index (CPI) of December 1999).
 - 3) If an Exchange member – in the course of the reorganization of its business – transfers all the securities operations performed by it to a wholly owned subsidiary, and that so that it will be accepted as an Exchange member in its place, and if the applicant for acceptance in the Exchange member's place also applies to become a member, then no processing fee and no membership fee shall be charged.
- 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, recommend to the General Meeting that it 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 General Meeting may – under special circumstances and in accordance with a recommendation of the Board of Directors, as said in subsection f. above – decide not to approve an application for membership or to make approval subject to additional conditions, even if all the requirements under this Chapter have been complied with.
- h. 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.
- i. 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;
 - 2) it complied with the conditions of the By-laws and with every additional condition prescribed in accordance with subsection 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 the Exchange 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.

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 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 General Manager of the Exchange.
- 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 the Exchange 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, General Manager 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 subsection c., in a member that is a banking corporation only the General Manager and the managers responsible for the units or departments connected to the securities market shall be deemed ranking managers of the member.

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

- a. 1) A Board of Directors Committee, the members of which are the Chairman of the Board of Directors of the Stock Exchange Clearing House and the Director who is the General Manager of the Stock Exchange (hereafter: "the Committee") may decide on a temporary interruption in the provision of Clearing services to a member (hereafter: "temporary interruption"), if it concludes, at its 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 call the Board of Directors in order to discuss the continued provision of clearing services to the member, as specified in section 7.b. below.

In an aforesaid case, the Committee shall, as far as possible, refrain from deciding on a temporary interruption in the provision of Clearing House services before the member was given an opportunity to present its arguments to it. However, if the Committee concluded that the decision must not be delayed, then the Committee may decide on a said temporary interruption, even before the member was given an opportunity to present its arguments to it, on condition that the member be given the opportunity to present its arguments to it after the decision has been taken.

- 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 Committee may order immediately that the provision of Clearing House services to the member be stopped temporarily.

In a said instance, the member shall be given an opportunity to present its arguments after the decision was adopted.

- 3) The chairman of the Board of Directors shall inform the Governor of the Bank of Israel of the Committee's intention to adopt 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 Committee is of the opinion that adopting the decision to interrupt temporarily the provision of Clearing House services to a member must not be delayed, the Committee may decide on the said temporary interruption 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.

- b. If the Committee decided on a temporary interruption, the Chairman of the Board of Directors shall act to convene the Board of Directors as soon as possible, in order to discuss the continued provision of Clearing House services to the member.
- c. If, during the period in which the temporary interruption is in effect, the member proves to the Committee's satisfaction that the reason, because of which a temporary interruption was decided, has been removed, then the Committee may decide that the provision of clearing services be resumed.
- d. If the member did not prove to the Committee's satisfaction that the reason, because of which a temporary interruption was decided, has been removed, then the Board of Directors shall convene and discuss the continued provision of Clearing House services to the member.
- e.
 - 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 section 5.1.2 of Chapter Three "A" in Part One of the By-laws 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 stop providing CH services to the member, and it may restrict the said stoppage of services to a period that it shall set,
 - 2) The Board of Directors may decide to continue to provide CH 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.
 - 3) The Board of Directors shall only adopt a decision to stop the provision of CH services to the member, or to continue the only partial provision of CH services to the member, 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 stand in writing. If the Board of Directors concludes that adopting the decision must not be postponed, then the Board of Directors may decide as aforesaid even before the member was given a 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 was adopted.
 - 4) 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 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 adopting the decision to interrupt the provision of Clearing House services to the member must not be delayed, the Board of Directors may decide to interrupt the provision of Clearing House services as aforesaid 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. **Suspension and Cancellation of Membership**

- a. The provisions of the Exchange 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 subregulation 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) the member ceased to be a member of the Exchange 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 5.1.2 of Chapter Three "A" 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;
 - 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.

9. 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 the Exchange.
10. 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.

CHAPTER THREE- THE CLEARING HOUSE RISK FUND

1. The Risk Fund

- 1.1 The amount of the Clearing House Risk Fund (hereafter: the Risk Fund) shall be in the amount of the largest periodic debit balance that a member, other than the Bank of Israel, had during the six months that ended in the calendar month before the updating date within its meaning below (hereafter: "the period relevant for the calculation").

The amount of the Risk Fund shall be updated once every quarter, on January 31, April 30, July 31 and October 31 of each year. (A date on which the Risk Fund is updated as aforesaid shall be called an "updating date".)

The Manager of the Clearing House may order that the amount of the Risk Fund be updated on additional dates that he shall set, if he is of the opinion that market conditions so require. An additional date on which the Risk Fund is updated as aforesaid shall, for all intents and purposes, be deemed an updating date.

In this Chapter –

- 1.1.1 "**daily debit balance**" – the differential obtained by subtracting the member's monetary credit balances, which stem from the clearing of transactions on the Stock Exchange that were carried out on a business day by the member and by the NCHMs for whom the member clears, from the member's monetary debit balances, which stem from the clearing of transactions on the Stock Exchange that were carried out on the same business day by the member and by the NCHMs for whom the member clears, on condition that the differential is positive;
- 1.1.2 "**transactions on the Stock Exchange**" – transactions that were carried out in the course of trading on the Stock Exchange and in the course of trading on the MTS system, including repo transaction, as well as transfers to custodians (on-Exchange);
- 1.1.3 "**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;
- 1.1.4 "**the highest daily debit balance**" – the daily debit balance of a member other than the Bank of Israel, 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;
- 1.1.5 "**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, other than extreme daily debit balances;

1.1.6 "**extreme daily debit balance**" – the highest daily debit balance on any business day, the differential between it and the general average of daily debit balances during the period relevant for the calculation being greater than 2.5 standard deviations;

1.1.7 "**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;

1.1.8 "**standard deviation**" – the standard deviation embodied in the largest daily debit balances during the period relevant for the calculation.

1.2 All members, except for the Bank of Israel, 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 updating 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.

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 hereafter 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.

A member shall give the Stock Exchange Clearing House collateral in cash to secure at least 25% of the member's part in the Risk Fund

4.2 If a member's part in the Risk Fund on any updating date is greater than that member's part in the Risk Fund before that updating date, then on the updating 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 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, LIENS AND SET-OFFS

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, the provisions specified below in this Chapter Three "A" shall apply to all matters connected to the collateral that members must give the Clearing House according to the provisions of the By-laws.
- 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 cash

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 the Stock Exchange, 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.

For this purpose the safety factor is 97% less 1%, multiplied by the number of years to the redemption of the Government bond, with the number of years to the redemption of the Government bond rounded upwards to the nearest whole number.

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 cash

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 the Stock Exchange, 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"). Notice of the safety factor determined according to the said method and of every change made in it according to the said method 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 the Stock Exchange 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 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 The "**monetary bank account**", designated for each member by the Clearing House – an account (with all its subaccounts) kept in the name of the Clearing House at a bank designated for this purpose by the Clearing House, intended for the deposit of cash by the member, as specified in section 3.2.2.a below, to serve as collateral to the benefit of the Clearing House;

for this purpose, "**bank**" – a member that is a bank with a high short term rating, on condition that it signed an undertaking formulated as said in the attached Appendix Two "A";

3.1.3 "**collateral accounts**" designated for each member – the Clearing House collateral account and the monetary bank account;

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 shall open at one or several banks (at its choice) a number of accounts, as is the number of its members, dedicating one account to each member, to be used as the monetary bank account. In this account shall be deposited cash given by the member as collateral to secure all the member's obligations toward the Clearing House, including – but without derogating from the generality of the aforesaid – 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 will be made as follows:
- (1) by the member –cash, as specified in section 2.1.1 above;
 - (2) by the Clearing House – cash paid as income from securities deposited in the Clearing House collateral account that is dedicated to the member, or cash that stems from any other right to money that stems from the said securities, including the monetary consideration derived from their sale or exercise.
- b. It is hereby clearly stated that, in respect of a member that is a bank, the Clearing House will open the monetary account dedicated to it at a different bank.
- 3.2.3 The value of the collateral to be given by a member, as said in sections 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 monetary bank account, subject to the provisions on this subject in the By-laws, and the member shall charge the said accounts 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:

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 rights of any kind whatsoever to the monetary bank account, including – but without derogating from the generality of the aforesaid – all rights to receive the money deposited in or registered to the credit of the monetary bank account or which will from time to time be deposited in or registered to the credit of the said account, and all the income from it and / or all the rights derived from or connected to it;

all as specified in the Mortgage Agreement and Secured Debenture that is attached as Appendix Two "B" (hereafter: the "fixed charges agreement").

4.2 4.2.1 It is hereby clearly stated that 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 Without derogating from the provisions of the fixed charges agreement or of the By-laws, it is hereby clearly stated that a member does not have the right to withdraw securities or cash from either of the collateral accounts.

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 section –

"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 section 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 fixed charges agreement, as formulated in the attached Appendix Two "B".

A member that holds a "foreign bank license" under the Banking (Licensing) Law 5741-1981 shall also sign, in addition to the aforesaid fixed charges agreement, a supplement to the fixed charges 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 section 2.2 above, if a member charged any of its assets before the fixed charges agreement was signed as aforesaid (hereafter: "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 shall prescribe.

5. 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 –

- 5.1 5.1.1 a. 1) if one or several of the events described in section 5.1.2 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 in the Board of Directors a demand for the immediate repayment of a member's obligation 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 adopting the decision must not be delayed, the Board of Directors may decide to demand immediate repayment 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.

- b. It is hereby clearly stated that, when the Board of Directors of the Clearing House decided as said in subsection a. above, the immediate payment called for as aforesaid shall be executed by the Clearing House, including by persons to whom powers were delegated (hereafter: "the delegates") as specified in section 8 below, all in amounts, on conditions, in the manner and in the order that will 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 hereafter in this Chapter be called "call for immediate payment").

5.1.2 And these are the events:

- a. if the member did 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 violated 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 stopped, pending or canceled, or if it is decided that the provision of clearing services to the member be halted temporarily, or if there are any grounds due to which it is possible to stop, suspend or cancel its membership as aforesaid or halt temporarily the provision of clearing services to the member;
- d. if an authorized manager or a special supervisor was appointed for the member, or if the Controller of Banks takes other steps whatsoever against the member under sections 8C or 8D of the Banking Ordinance 1941 or under any other statute that will take their place;
- e. if a petition was brought 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 petition was brought against the member to initiate rehabilitation procedures or for a freeze 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;

5.1.3 In addition to the provision of sections 5.1.1 and 5.1.2 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:

- 5.1.3.1 if the member violated any of its undertakings or declarations under the Schedule to the fixed charges agreement, which is formulated in Appendix Two "E";
- 5.1.3.2 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 the orderly conduct of its business has been impaired.

5.2 5.2.1 The Clearing House shall inform the member one business day in advance that the call for immediate payment will be executed.

5.2.2 Notwithstanding the provision of section 5.2.1 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 – if there is a suspicion that the Clearing House will 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 will 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 section 5.1.1 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.

5.3 Without derogating from the aforesaid, the member shall bear all payments, expenses, premiums and fees that will be connected and / or involved in the execution of the call for immediate payment as said in section 5.1.1 above, and those amounts shall be added to all the other obligations of the member toward the Clearing House, 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.

6. **Exercising the collateral**

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

6.1 When one or several of the events specified in section 5.1.2 above in this Chapter or in section 2.1 in Chapter Nineteen "D" in Part Two of the By-laws occurs in connection with any member (hereafter: "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.

- 6.2 If the Clearing House decided to realize all or part of the collateral that the member in violation gave, as said in section 6.1 above, then the following provisions shall apply:
- a. the Clearing House shall be deemed to have realized first the collateral for the Repo transactions given by the member in violation (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;
 - b. on the date of the decision to realize all or part of the collateral given by the member in violation, as aforesaid, and with 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 (hereafter: 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;
 - c.
 - 1) the Clearing House shall inform every other member that he must pay the Clearing House an amount that the Clearing House will 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 amount is not greater than the other member's share in the Risk Fund (hereafter: "notice from the Clearing House");
 - 2) the payments by the other members, as required under subsection c.1) 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 decided that the payment be made in some other manner, in which case the payment shall be made in the other manner, all as the Clearing House shall decide;
 - 3) if the full amount that the other member must pay as said in subsection c.1) above, was not actually paid as specified in subsection c.2) above, the Clearing House shall have the right to realize the collateral deposited by the other member in the collateral accounts or in either of them, provided that the Clearing House not be paid by the other member for the member in violation an amount greater than the other member's share in the Risk Fund.
- 6.3 Notwithstanding the provisions of the above section 6.2 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 in the order and on the conditions specified in section 6.2 above is liable to have an adverse effect on the current activity 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:

- a. realize the collateral that was given to it or any part thereof otherwise than in the order prescribed in section 6.2 above, or realize them concurrently;
- b. realize the collateral that was given to it by the other members or by some of them or any part thereof, and as part thereof realize the cash collateral, or any part thereof, that was given to the Clearing House by the other members or by any of them, also by way of withdrawing it from the monetary bank accounts, in which the cash was deposited by the other members or by some of them, as the case may be, and that even without giving the other members the notice of the Clearing House said in section 6.2.c.1) above;

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

- 6.4 It is hereby clearly stated that realization of the collateral, including – but without derogating from the generality of the aforesaid – all the acts connected thereto, which includes using the power of discretion and all that entails – shall be carried out by the Clearing House, including the persons to whom powers were delegated (hereafter: "the delegates") as specified in section 8 below, all in amounts, on conditions, in the manner and in the order that will be prescribed by the Clearing House or by the delegates, as the case may be, at their discretion.

7. **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 –

- 7.1 7.1.1 In order to execute the call for immediate payment said in section 5.1.1 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 said in section 5.1.1 above and, in order to do so, debit the monetary account, as specified in Chapter Six in Part Two of the By-laws.
- 7.1.2 The authorization and irrevocable power of attorney are irrevocable and since the rights of the Clearing House depend on them they shall, for all effects 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.
- 7.1.3 In order to remove all doubt it is hereby made clear 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.
- 7.2 It is hereby clearly stated 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 will deem proper, and that includes – but without derogating from the generality of the

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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.

8. **Delegation of Powers**

8.1 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.

8.2 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 sections 5.1.1.a. and 5.1.2.b. above.

9. **Lien and set-off**

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

9.1.1 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 come, 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 will 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.

9.1.2 a. 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.

b. 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.

10. **Exemption from liability**

The Clearing House or any person on its behalf (including those to whom powers were delegated as said in section 8 above) shall be exempt of any liability for any act they performed and any omission they omitted in good faith in the course of performing their tasks under the By-laws or as part of implementing the fixed charges agreement, including – but without derogating from the generality of the aforesaid – for any act they performed or any omission they omitted in the exercise of the discretion vested in them by the By-laws or by the fixed charges agreement, which includes the exercise of their powers as specified in section 5.1.1 above or in connection with the delivery of demands for payment or the realization or abstention from the realizing 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.

11. **Ad hoc provision**

- a. In addition to the above provisions of this Chapter, of the above Chapter Three 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 debit or to credit (hereafter: "the daily balance").
- b. If the daily debit balance is greater than 25% of the member's equity, according to the last financial reports 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 section 2.1.2 in this Chapter above, and that in order to secure the member's monetary clearing (hereafter: "the additional collateral").
- c. The value of the additional collateral, as said above in section 2 of this Chapter, shall be the amount of the differential between the amount of the daily debit balance and an amount that equals 25% of the member's equity, according to the aforesaid financial reports.
- d. The additional collateral shall be deposited in the Clearing House collateral account dedicated to the member, as specified above in section 3 of this Chapter, as part of a separate subaccount that shall be opened for this purpose.
- e. It is hereby clearly stated that the additional collateral shall be deposited in addition to all the collateral the member was 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 the above sections 2 to 5 and 7 to 10 of this Chapter shall apply to it.

- f. If a member did not deposit additional collateral as required on the date set therefor by the Manager of the Clearing House, then the Director who is the General Manager of the Stock Exchange (hereafter in this section: "General Manager of the Stock Exchange") shall order a temporary interruption in the provision of Clearing House services to the member (hereafter: "temporary interruption").

When the General Manager of the Stock Exchange has ordered a said temporary interruption, he shall immediately inform the Chairman of the Board of Directors about it, who 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 General Manager of the Stock Exchange may order that the provision of clearing services be resumed

- g. The provisions of this section 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.

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 section 1, Clearing House services shall include:
 - a. registration with the Clearing House, to the credit of members, of securities traded on the Exchange;
 - b. the clearing of transactions in securities traded on the Exchange and on the MTS system, as specified below:
 - 1) transactions carried out on the Exchange and on the MTS system;
 - 2) transactions carried out off the Exchange;
 - 3) transfers to a custodian for custody;
 - c. clearing of mutual fund units;
 - d. accepting deposits, performing withdrawals and transfers of securities traded on the Exchange;
 - e. acts specified below that relate to securities and 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 Ma'of Clearing House;
 - g. clearing securities that are not listed for trading on the Exchange (hereafter: 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 the Stock Exchange (NLT);
 - h. operation of the lending reserve of the Ministry of Finance;
 - i. operation of the collateral system of the Bank of Israel.;
 - j. foreign clearing services, as specified in Part Three of the By-laws;
 - k. claim services;
 - l. any other service, that the Board of Directors will prescribe.
3. The Board of Directors may, at any time, restrict or expand the scope of the above services.
 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 the Exchange; whenever it is not possible to apply the provisions of the By-laws in respect of an aforesaid body corporate, the General Manager of the Clearing House is authorized to prescribe provisions about the clearing services that will be provided.
 5. The Clearing House may charge fees for its and the Exchange's services, at rates and in a manner that will be prescribed from time to time in the Exchange Rules and in instructions under them or in the By-laws.

CHAPTER FIVE- USING THE EXTRANET SYSTEM

1. In this Chapter –

"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;

"agent" – a person to whom the Clearing House issued a personal authorization to use the Extranet 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;

"agent" – a person appointed by a member to be the member's authorized representative on all matters connected to requests from the Clearing House to authorize agents to use the Extranet System and to matters connected to the cancellation of authorizations that had been given to agents.

"appointee" –

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 Extranet System.
 - b. Any order that a member transmitted to the Clearing House over the Extranet 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 Extranet System, it may – but is not obligated – to send it also by other means that are used in the Clearing House.
 - c. In the event that it is not possible to transmit orders, reports or notifications over the Extranet System, the orders from members and the notifications and reports from the Clearing House shall be transmitted by other methods, as the Clearing House shall prescribe.
 - d. The Clearing House shall, from time to time, prescribe the means of accessing the Extranet 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 (hereafter: "means of access").
3. a. Use of the Extranet System is restricted to agents.

The member shall decide who are the agents authorized to use the Extranet System on its behalf.

The Clearing House will issue to the agents on behalf of each member personal authorizations to use the Extranet 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 Extranet System

The member shall be responsible for every act performed on the Extranet 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 of 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 subsection 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 (hereafter: "time to cancellation"):

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 Extranet 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 Extranet 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 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 subsection 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 for use on the Extranet System only in accordance with requests by the appointee on its behalf, which shall be as formulated in Appendix Two "G" of the By-laws.
- 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 –
- "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" – a closed community of participants that was set up by SWIFT on the SWIFT network for the transmission of orders and notification from CCP participants to the Clearing House and from the Clearing House to CCP participants;
- "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 (hereafter: "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 hereafter in this section 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 (hereafter in this section: "damage") that is liable to be caused any person or entity whatsoever, including – but without derogating from the generality of the aforesaid –

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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 (hereafter in this section: "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 subsection 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.

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- 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.