

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

Part Two

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

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CHAPTER ONE- CLEARING SERVICES FOR NCHM'S

1. A member may provide services for NCHMs when the following conditions are met:
 - a. its equity shall not be less than the equity required according to the provisions of Chapter Two in Part One of the By-laws;
 - b. it has the means and the professional staff that enable it to provide services to NCHMs;
 - c. the NCHM signed an undertaking toward the Clearing House, to comply with the By-laws as far as they pertain to NCHMs, formulated as shown in Appendix Three of the By-laws.
2.
 - a. If a member meets the conditions in the above section 1., then it may provide services to NCHMs, and that in accordance with an agreement between the member and the NCHM (hereafter: "clearing agreement"), and the NCHM and each of its clients shall – for all intents and purposes of the By-laws – be treated like clients of the member.
 - b. The member that clears for an NCHM shall be debited and credited for every act of the NCHM, also including the following acts:
 - 1) securities transactions carried out on the Exchange;
 - 2) securities transactions carried out off the Exchange;
 - 3) transfers of securities to a custodian for custody;
 - 4) clearing Mutual Fund units;
 - 5) various services provided by the Exchange.
3. Members shall inform the Clearing House of the identity of the NCHMs, with which they have clearing agreements.
4. If a member clears for an NCHM, then it is responsible toward the Clearing House for the clearing of the transactions of every NCHM with which it has a clearing agreement, even if – in consequence thereof – it was debited an amount greater than that agreed between them in the clearing agreement.

If a member clears for an NCHM, then it shall give the Clearing House an undertaking to clear transactions of the NCHM with which it has a clearing agreement, formulated as shown in Appendix Four of the By-laws.
5. If a member clears for NCHMs and wants to discontinue clearing for an NCHM which clears through it, then it shall so inform the General Manager of the Clearing House in writing; the member that clears for an NCHM and gave an aforesaid notice shall be responsible for the clearing of the transactions carried out by the NCHM until the end of the trading day on which the said written notice was given; for the sake of clarity, let it be stated that the said responsibility shall also apply to aforesaid transactions, in respect of which the payment date or clearing date is later than the trading day on which the notice was given.

When a said notice has been given, then the activity of the NCHM in trading and in the Clearing House shall be discontinued and it shall not be resumed before it signs an agreement with another member that clears for NCHMs.

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6. The member that clears for NCHMs shall, five trading days before a clearing agreement lapses, give the General Manager of the Clearing House written notice of the date on which the clearing agreement will lapse; the member that clears for the NCHM shall be responsible for clearing the transactions performed by the NCHM until the date on which the agreement lapses or until the said notice is given in writing, whichever is later; for the sake of clarity, let it be stated that the said responsibility shall also apply to aforesaid transactions, in respect of which the payment date or clearing date is later than the date on which the agreement lapsed or later than the date on which the written notice was given, as the case may be.
7. An NCHM shall not, at any one time, accept clearing services from more than one member that clears for NCHMs.
8. The member that clears for NCHMs shall credit or debit the NCHMs which clear through it at the same time as its account with the Clearing House is credited or debited for its clearing activity, and the NCHM shall credit or debit its clients for clearing their activity at the same time as its account with the member that clears for it is credited or charged.
9. It is hereby clearly stated that the provisions of this Chapter in respect of NCHM's do not derogate from any obligation whatsoever toward the Clearing House by the member that clears for the NCHM in connection with the transactions carried out by the NCHM for which the member is the clearing member, and those transactions shall, for all intents and purposes, be deemed transactions to which the member is a party.

CHAPTER TWO- SECURITIES MUST BE ENTERED
AT THE CLEARING HOUSE

In this Chapter – "**securities**" include mutual fund units.

1. The securities of the clients of a member, as well as the securities of the clients of an NCHM, which clear through a member, shall be registered with the Clearing House in the name of the member, which shall act as custodian for its clients and for the NCHM which clears through it; however, the following securities shall not be recorded in the member's name with the Clearing House:
 - a. securities deposited with clearing houses abroad;
 - b. securities entered in the issuer's registry in the name of the client or securities to bearer, which were deposited with the member for custody and not for registration in the member's name;
 - c. other securities, as the Board of Directors shall prescribe from time to time.
2. An NCHM shall keep its clients' securities deposits with the member that clears for the NCHM in accordance with powers of attorney that give it the right to act in the accounts in its clients' names.
3. The member's securities shall be at its disposal at all times, subject to the provisions of the By-laws.
4.
 - a. An Exchange member shall hold its clients' securities as their custodian, and it shall not charge them in any manner, except as provided in subsection b. below, and it shall not by act or omission derogate from its clients' rights in any way whatsoever.
 - b. An Exchange member may accept a charge to its benefit on the securities of its client that are deposited with it only and exclusively in respect of credit or services which an Exchange member is permitted to provide to the client; the charge must not be transferred, except for a transfer by virtue of Law, or on the client's explicit order.
 - c. The client of an Exchange member may charge securities deposited in its account to the benefit of a third party, giving due notice thereof to the Exchange member with which the securities are deposited.
 - d. In every instance the charge shall be created on the client's explicit order and the Exchange member with which the securities are deposited shall not be given a power of attorney to charge the securities, either in its own favor or in favor of a third party.
 - e. An order to withdraw securities from the Clearing House within the framework of a charge on the securities shall be carried out only if the client gave the Exchange member an order to do so.
 - f. Every order and notice said in this section shall be in writing.

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5. A member shall report to the Clearing House within two months after the end of a quarter:
 - a. that its clients' securities are registered with the Clearing House;
 - b. that no charges were created, except for those permitted under section 4 above;
 - c.
 - 1) the financial reports as of March 31 and September 30 shall be signed by the Director General of an NBM or by the manager of the securities department of a member that is a bank, as the case may be.
 - 2) the reports as of June 30 and December 31 shall be signed by the auditor or the internal auditor of the member.
6. Each year, within two months after June 30 and December 31, an NCHM, that is not a remote member, shall deliver to the Clearing House certification from its auditor or from its internal auditor that – as of June 30 and December 31, as the case may be – no charges were created on its clients' securities, except for those permitted under section 4 above.
7.
 - a. After the end of each business day the Clearing House shall send each member – for each sub-account kept for him at the Clearing House – a report that specifies the quantity of each security entered to its credit in that sub-account.
 - b. After the end of each business day the Clearing House shall send each coordinating bank a report that specifies the quantity of each security for which it serves as coordinating bank, which is registered to the credit of the Clearing House with the coordinating bank according to Clearing House records.
8. Each year, within two months after June 30 and December 31, a coordinating bank shall deliver to the Clearing House, in respect of every security for which it acts as coordinating bank, certification that the quantity of securities registered in the nominee company's name in the issuer's securities records is in agreement with the quantity carried on the coordinating bank's books to the credit of the Clearing House.
9. A fine of NIS 200 shall be imposed on members for every day of delay in the delivery of the reports said in sections 5, 6, 7 and 8 above.

CHAPTER THREE- SECURITIES REGISTRATION PROCEDURES
AT NOMINEE COMPANIES AND AT THE CLEARING HOUSE

1. The Clearing House shall enter securities registered in the name of a nominee company to the credit of its members, as specified in the By-laws.
2. In order to assure orderly and fair trading on the Stock Exchange and orderly clearing, the following shall apply:
 - a. In addition to the records which an issuer must keep under any enactment, an issuer shall keep a separate register of securities holders for each category of securities issued by it and listed for trading on the Exchange. The register shall be kept in the form prescribed by the Companies Law 5759-1999 for keeping a register of share holders, mutatis mutandis.
 - b. Registered securities shall be registered in the issuer's register in the name of a nominee company.
 - c. The securities shall be deposited by the nominee company with a coordinating bank to the credit of the Clearing House, as prescribed by the By-laws.
 - d. The coordinating bank and the nominee company shall act as custodians for the Clearing House and shall undertake to comply with the By-laws, as they will be from time to time, and to comply with all the other conditions that will be prescribed in their respect by the Board of Directors and the General Manager of the Clearing House.

A member shall be responsible toward the Clearing House that the nominee company owned by it will comply with the By-laws that relate to its activity and responsibilities, as they will be from time to time, and that it will also comply with the decisions of the Board of Directors and of the Manager of the Clearing House on all matters connected thereto. The member shall perform the necessary checks on a current basis, in order to ascertain that the nominee company under its ownership complies with the aforesaid.

- e.* All the securities of an issuer, which are listed for trading on the Exchange, shall have one nominee company. Notwithstanding the aforesaid, Government bonds shall be registered in the name of the Ministry of Finance or of whoever was designated by it and short term loans shall be registered in the name of the Bank of Israel.

* The provisions of this section shall apply to securities deposited with the Clearing House after October 8, 2007

3. The following provisions shall apply to securities offered to the public by an issuer:
- a. not later than the day on which subscription lists are opened the issuer's competent organs shall adopt a resolution that the securities will be allocated to the persons entitled to them in accordance with the conditions of the prospectus; the resolution shall state that –
 - 1) the allocation day shall be the day on which the payment for the allocated securities is deposited to the issuer's credit;
 - 2) the securities, for which orders were placed by Exchange members, shall be allocated in the name of a nominee company and shall be recorded in its name on the issuer's register;
 - b. On the day of the allocation of the securities, the issuer shall deliver the following documents to the nominee company:
 - 1) if the issued security is a share or debenture – a securities certificate that certifies the number and category of securities registered in the name of the nominee company in the issuer's register of securities holders; in all other cases – a letter of allocation that certifies the number and category of securities registered in the name of the nominee company in the issuer's register of securities holders (hereafter: "letter of allocation");
The certificate or the letter of allocation, as the case may be, shall not include a warning that indicates the existence of any restriction on the transferability of the security (hereafter: "Legend")
 - 2) an accompanying document, as formulated in Appendix Five, as well as an advocate's certification, as formulated in Appendix Five "A" of the By-laws;
 - 3)** a copy of the immediate report about the change in the register of securities holders, which was submitted to the Securities Authority through MAGNA (*Hebrew acronym of "electronic fair disclosure system", the Securities Authority's electronic reporting system – Ed.*);
 - 4) a true copy of the original of the up-to-date register of securities holders, in which the securities allocated in the name of the nominee company have been registered;
 - 5) in the case of a rights issue – a copy of the certification by the Stock Exchange, that the securities' were listed.
 - c. The nominee company shall deliver to the Clearing House certification that it received all the documents said in subsection b. above, and that it examined their prima facie correctness and that the term "Legend" is not imprinted on the security certificate or on the letter of allocation, as the case may be. It shall also certify that the issuer reported to the Securities Authority through MAGNA the changes in the register of securities holders, and that it examined the particulars

** at this stage it is not necessary to obtain a duplicate copy from double entry companies that report under Chapter Five "C" of the Securities Law correct and / or that they include inconsistencies, then it shall not perform the aforesaid acts, shall not deliver the certification specified in subsection c. above, and shall so inform the Clearing House and the issuer.

that appear in the aforesaid documents and found them to consistent. The certification shall be as formulated in Appendix Five "B" of the By-laws.

- d. When it has received all the documents said in subsection b. above, the nominee company shall register the securities on its books to the credit of the Clearing House, deposit the securities in the coordinating bank and send the Clearing House a deposit order to the members' credit, as formulated in Appendix Six of the By-laws.

If the nominee company did not receive all the documents specified in subsection b. above and / or found that they are prima facie incorrect, and / or that they do not match and / or that on the security certificate or on the letter of allocation, as the case may be, the term "Legend" is imprinted, then it shall not carry out the acts specified above, shall not give the certification that is specified in subsection c. above, and shall so inform the Clearing House and the issuer.

- e. The Clearing House shall record the deposit on its books to the members' credit only after it received the certification specified in subsection c. above and the deposit order specified in subsection d. above, and after it checked that – in consequence of the deposit – the total number of securities of the same category deposited in the Clearing House does not exceed the quantity that – according to Stock Exchange records – was approved to be listed for trading on the Exchange.

If the Clearing House did not receive the certification specified in subsection c. above or the deposit order specified in subsection d. above, or if it found that – in consequence of the deposit – the total number of securities of the same category deposited in the Clearing House will exceed the quantity that was approved to be listed for trading on the Exchange, then the Clearing House shall not register the securities to the members' credit.

4. The provisions of section 3 above shall also apply, mutatis mutandis as the case may be, to securities allocated by private placement.
5. a. A client does not have the right to withdraw shares from the securities registered to his credit with a member and to have them registered in his name in the issuer's register of share holders; the provisions of subsection a. shall not apply to the shares specified below:
- 1) shares that were delisted from trading on the Stock Exchange;
 - 2) shares of a foreign company, within its meaning in Part Two of the Stock Exchange by-laws;
 - 3) shares of a foreign Stock Exchange company, within its meaning in Part Two of the Stock Exchange by-laws, that are listed for trading in the United States or in Canada;

- 4) shares of a foreign Stock Exchange company, within its meaning in Part Two of the Stock Exchange by-laws, that are not listed for trading in the United States or in Canada and that – as part of the approval to list their shares for trading on the Tel Aviv Stock exchange – was given exemption from registering all its share capital in the name of a nominee company.
- b. If a client asked to withdraw securities that he is entitled to withdraw from the securities registered to his credit with a member and to have them registered in his name in the issuer's register (hereafter: "withdrawal"), then the following provisions shall apply:

- 1) The client's request shall be delivered to the member in writing and shall be accompanied by a transfer document (hereafter in this section: "the request");

if the client acts through an NCHM, then the said request shall be given to the NCHM, and it shall transmit it to the member that clears for it.

- 2) The member shall submit a withdrawal order, as formulated in Appendix Seven to the By-laws, together with the request, within three trading days after the request was received from the client.

When the withdrawal order with the request has been received by the Clearing House, the Clearing House shall debit the member for the quantity of the security stated in the withdrawal order and credit the same quantity to the nominee company through the coordinating bank. Within two trading days the Clearing House shall transmit the request with a copy of the withdrawal order to the nominee company.

- 3) A request to withdraw a quantity of the security that exceeds the balance registered to the member's credit in the subaccount to which the request refers shall not be acted on at all, and it shall be returned to the member that sent it, with the cause therefor stated.
- 4) When a nominee company has received a request, together with the copy of a withdrawal order, then within two trading days the nominee company shall transmit the request to the issuer with a photocopy of the original certificate or a photocopy of the original letter of allocation, as the case may be.
- 5) When a request has been received by an issuer, the issuer shall register the client in the Register of Securities Holders and update accordingly the quantity registered in the name of the nominee company. It shall also issue a certificate in the name of the client for the quantity withdrawn by him, as well as a new certificate in the name of the nominee company in respect of the remaining quantity that is registered in its name after the said withdrawal. However, if the security is not a share or a debenture, the issuer shall issue a letter of allocation in the client's name, as well as a new letter of allocation in the name of the nominee company.

The certificate or the letter of allocation, as the case may be, that was issued in the name of the nominee company shall not bear the term "Legend".

- 6) Not later than two business days after the issuer received the request, he shall deliver the following documents to the nominee company (hereafter: the "withdrawal documents"):
 - (a) the document or letter of allocation, as the case may be, in the client's name as aforesaid;
 - (b) the document or letter of allocation, as the case may be, in the name of the nominee company as aforesaid;
 - (c) an covering document, as formulate in Appendix Five "C" and an advocate's certification, as formulated in Appendix Two "A" to the By-laws;
 - (d)* a copy of the immediate report on the change in the Register of Securities Holders, which was submitted to the Securities Authority by means of the MAGNA system.
 - (e) a true copy of the updated Register of Securities Holders.

- 7)
 - (a)** Within three trading days after the day on which the nominee company transmitted the request to the issuer, the nominee company shall check whether it has received all the withdrawal documents said in subsection 6) above, whether the withdrawal documents that it was given are prima facie in good order and that "Legend" is not imprinted on the securities certificate or on the letter of allocation, as the case may be. It shall also check whether the certificate or the letter of allocation, as the case may be, is in accord with its records and it shall ascertain through the MAGNA system that the company has made the required changes in the Register of Securities Holders.
 - (b) When everything said in subsection (a) has been done, the nominee company shall – within one trading day – transmit the certificate or the letter of allocation, as the case may be, that was issued in the client's name to the member, through whom the request was submitted and the member shall transmit them to the client, either directly or through the NCHM, as the case may be. The nominee company shall also transmit to the issuer the original certificate or the original letter of allocation, as the case may be, which are mentioned in subsection 4) above.
 - (c) If all the withdrawal documents specified in subsection 6) above were not received by the nominee company, or if the nominee company found that the documents are prima facie not in order, or that "Legend" is imprinted on a security certificate or on the letter of allocation, as the case may be, or that there is a discrepancy between the certificate or letter of allocation, as the case may be, and its records or the records on the MAGNA system (hereafter: "fault in the withdrawal documents"), the nominee company shall request of the issuer to correct the fault in the withdrawal documents.

As long as the issuer has not corrected the fault in the withdrawal documents the nominee company shall not transmit the certificate or the letter of allocation, as the case may be, to the client, and it also shall not transmit to the issuer the original certificate or the original letter of allocation, as the case may be, that are mentioned in subsection 4).

- (d) If the issuer did not correct the fault in the withdrawal documents within three trading days after the nominee company addressed it as said in subsection (c) above, the nominee company shall so inform the Clearing House without delay. In its notification the nominee company shall state – after having checked the matter through the MAGNA system – whether the issuer made any change whatsoever in the Register of Securities Holders.
 - (e) When the Clearing House has received the nominee company's notification said in subsection (d) above, the Clearing House shall inform the member through whom the request was received that what was requested cannot be carried out. If the nominee company stated in the notice to the Clearing House said in subsection (d) above that the issuer did not make any change whatsoever in the Register of Securities Holders, the Clearing House shall cancel the entries it made as said in subsection 2) above, and it shall so inform the nominee company and the member through whom the request was received.
- 8) The above provisions in this section shall apply, mutatis mutandi, to the request of a client that short term loans be registered in his name in the Register kept by the Bank of Israel according to section 11 of the Short Term Loan Law 5744-1984. The withdrawal order shall be submitted to the Clearing House by the member, as formulated in Appendix Seven "A" to the By-laws.
- 9) If an issuer acquired debentures that had been issued by it, the member with whom the debentures are registered to the issuer's credit shall submit to the Clearing without delay a withdrawal order for the withdrawal of the entire quantity that was acquired as aforesaid and that is registered with it to the issuer's credit.
The withdrawal order shall be as formulated in Appendix Seven "B" to the By-laws and attached to it shall be the issuer's written request to withdraw the securities registered to its credit with the member. The provisions said above in this section shall apply, mutatis mutandis, to the withdrawal order.
- c. If a client requested that securities registered in his name in the issuer's register be registered to his credit with an Exchange member (hereafter: "deposit"), then the following provisions shall apply:

* at this stage it is not necessary to obtain a duplicate copy from double entry companies that report under Chapter Five "C" of the Securities Law

** at this stage, checking the MAGNA system is not required in respect of the double entry companies that report under Chapter Five "C" of the Securities Law

- 1) the client's request shall be delivered to the Exchange member in writing and shall be accompanied by a transfer document and by documents that prove his ownership of the security (share certificate or letter of allocation, as the case may be) (all these hereafter in this section: "the request");
- 2) within three trading days after the Exchange member received the request from the client, it shall transmit the request to the nominee company through the coordinating bank; an NCHM shall transmit the request through the member that clears for it; to the request the Exchange member shall attach certification that it examined the request and that the request, including the letter of transfer, was duly signed by the client;
- 3)* within three trading days after it received the request, the nominee company shall enter it on its books and transmit it to the issuer, after it made certain that the particulars in the request documents are consistent and after it made certain that the client

is registered in the share holder register in MAGNA as the owner of the securities, the deposit of which he requested.

- 4) When the request is received by the issuer, then it shall act as follows:
 - a) it shall examine whether the documents in witness of the client's ownership of the securities are true, and whether the said documents are consistent with the issuer's register of securities holders;
 - b) after it is satisfied that the said documents are true and that the said particulars are consistent, it shall erase the client from the register of securities holders and enter the nominee company as the owner of the securities; it shall also issue a certificate in the name of the nominee company if the securities are shares or debentures, or a letter of allocation in any other case; the term "Legend" shall not be imprinted on the certificate or the letter of allocation, as the case may be.
 - c)** it shall send a report of the change to the Securities Authority by means of the MAGNA system;
 - d) it shall transmit to the nominee company the certificate or the letter of allocation, as the case may be, an accompanying document formulated as said in Appendix Five of the By-laws, an advocate's certification formulated as said in Appendix Five "A" to the By-laws, a true copy of the updated register of securities holders, as well as a copy of the immediate report, which it submitted to the Securities Authority through the MAGNA system.
- 5) The nominee company shall certify to the Clearing House that it received all

* at this stage, checking MAGNA is not required of the double entry companies that report under Chapter Five "C" of the Securities Law

** the said copy does not have to be received, at this stage, from the double entry companies that report under Chapter Five "C" of the Securities Law

the documents mentioned in subsection 4)d) above and that it checked whether they are a priori correct and that the term "Legend" is not imprinted on the certificate or on the letter of allocation, as the case may be. It shall also certify that the issuer reported to the Securities Authority through MAGNA changes in the register of securities holders and that it examined the particulars that appear in the aforesaid documents and found them to be consistent. The certification shall be formulated as shown in Appendix Five "B" to the By-laws.

- 6) When it receives all the documents said in subsection 4)d) above, the nominee company shall enter the securities on its books to the credit of the Clearing House, deposit the securities in the coordinating bank and send the Clearing House a deposit order to the credit of the Clearing House member, formulated as shown in Appendix Eight to the By-laws
- 7) The Clearing House shall enter the deposit on its books to the member's credit only after it received the certification specified in subsection 5) above, and the deposit order specified in subsection 6) above, and after it examined whether – in consequence of the deposit – the total quantity of securities of that category deposited with the Clearing House will not exceed – according to the records of the Stock Exchange – the quantity approved to be listed for trading on the Exchange

If the Clearing House did not receive the certification specified in subsection 5) above or the deposit order specified in subsection 6) above, or if it found that – in consequence of the deposit – the total quantity of securities of that category deposited with the Clearing House will exceed the quantity approved to be listed for trading on the Exchange, then the Clearing House shall not register the securities to the member's credit.

6. Deposits and withdrawals of registered securities shall be carried out only at a client's request, which shall be accompanied by an appropriate transfer document; if the transfer of a registered security, as required by a deposit or withdrawal, is subject to a payment charged by the issuer, then the member through which the request was submitted shall be debited.
7. The nominee company shall provide services for the members – including the crediting and debiting of securities and the issue of powers of attorney as specified in Chapter Nine of this Part of the By-laws – only through the Clearing House.
8. The nominee company shall keep every document received by it in accordance with the By-laws during a period of not less than seven years.

CHAPTER FOUR: MEMBERS' ACCOUNTS
WITH THE CLEARING HOUSE

1. A member shall keep a securities account with the Clearing House, divided into separate subaccounts – one separate subaccount for the member's activity for its clients and another separate subaccount for the member's nostro activity (hereafter: "the nostro account").
2. If, for technical and operational reasons, a member prefers to conduct its costumers' activities at the Clearing House in more than one subaccount, then he may do so, subject to the rules prescribed in the By-laws and on the following conditions:
 - a. the member's equity shall not be less than the equity required according to the provisions of Chapter Two in Part One of the By-law.;
 - b. the member has the means and the professional manpower that enable it to keep separate subaccounts.
3. A member shall be responsible to the Clearing House for the fulfillment of all his obligations that stem from or are connected to all the transactions and acts carried out in all the subaccounts kept in its name at the Clearing House, and this includes – but without derogating from the generality of the aforesaid – the member's responsibility toward the Clearing House for payment of the full consideration for every security that the member acquired and for the transfer and delivery of every security the member sold, whether as part of the member's nostro activity or as part of the member's activity for its clients; without derogating from the aforesaid, the member's securities account shall be kept at the Clearing House as follows:
 - a. on all matters connected to acts with securities, the Clearing House shall treat each of the member's subaccounts as a completely independent and separate account;
 - b. the Clearing House shall perform acts in each of the member's subaccounts without taking into account any credit or debit balances in the member's other subaccounts.
4.
 - a. Each of the member's subaccounts shall be kept separately and it shall be identified by a separate number.
 - b. The member shall inform the Clearing House of the number of the subaccount, in which it conducts its nostro activity.
 - c. A member's order to perform any act whatsoever – including the purchase or sale of a security, either on or off the Exchange – shall explicitly state the number of the member's subaccount, to which it refers.
 - d. The Clearing House shall issue reports and clearing sheets, as specified in the By-laws, separately for each of the member's subaccounts.

5. Monetary clearing of the transactions and acts in all the member's accounts with the Clearing House shall be carried out in the aggregate and without separating the clearing by the separate sub-accounts. In respect of monetary clearing, the debits and credits that stem from the member's various sub-accounts shall be treated like debits and credits that stem from a single account.

Notwithstanding the aforesaid, monetary clearing of activity in the additional account of Ma'of collateral, as defined in Chapter Sixteen below, shall be carried out separately, as specified in Chapter Sixteen below.

6. Notwithstanding the provisions of this Chapter, and without derogating from the provisions of Chapter Five in this Part of the By-laws, if a securities shortfall occurs in a member's sub-account (that is not the nostro account), and if all or part of the missing securities are in the member's nostro account, then the General Manager of the Clearing House may transfer the missing securities from the member's nostro account to his sub-account in which the securities shortfall arose, and for that purpose he may debit the missing securities against the nostro account and credit them to the sub-account; notice thereof shall be given to the member.
7. A request to keep an additional sub-account for its clients shall be submitted by the member on the form attached to the By-laws as Appendix Nine. The Clearing House shall inform member on what date the additional sub-account will be opened.
8. If a member wants to close a sub-account, then it shall so inform the Clearing House in writing. In the notice the member shall state the number of the sub-account which shall be credit or debited instead of the closed account. The Clearing House shall inform the member on what date the sub-account will be closed.

CHAPTER FIVE – CLEARING SECURITIES

Applicability

1. Debits and credits of the securities accounts of the members, which stem from securities transactions and acts, shall be made as specified in this Chapter (hereafter: "clearing securities").

Definition

2. In this Chapter –

"day of receipt" –

on a day that is a trading day – the day on which the document, the security or the payment was received by the Clearing House, on condition that it was received at least one and a half hours before the end of the trading day, except if there is a different provision in this Chapter;

or –

on a day that is a business day, but is not a trading day – the day on which the document, the security or the payment was received by the Clearing House, on condition that it was received by 11:00 AM, except if there is a different provision in this Chapter.

Request to clear securities

3. a. A request to clear securities, which derives from the transactions or the acts specified below, shall be submitted to the Clearing House by means of the form that designated therefore and duly signed, as specified below:

	Transaction / act	Form	Signed by
1	Deposit according to a / prospectus/ private allocation/ exercise a of convertible security	Appendix Six	Nominee company
2	Withdrawal at a Client's request	Appendix Seven	The member who submits the request
3	Withdrawal of Makam at the client's request	Appendix Seven "A"	The member who submits the request
4	Withdrawal at the purchaser's request upon an independent purchase or a purchase offer	Appendix Seven "B"	The member who submits the request
5	Deposit by order of a client who was	Appendix Eight	Nominee company

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	registered as the owner		
6	Transfer of securities not against Monetary consideration	Appendix Ten	Transferring Stock Exchange member
7	DR transfer	Appendix Eleven	The transferring member
8	Off Exchange transaction (including monetary clearing) other than a repo transaction with the Bank of Israel	Appendix Twelve	Exchange member who sells and Exchange member who buys
9	Off Exchange includes monetary clearing) and is carried out in continuation of a short term loan issue by the Bank of Israel	Appendix Twelve	Bank of Israel
10	Reverse repo with the Bank of Israel (cash)	Appendix Twelve "A"	Bank of Israel
11	Off Exchange transaction (that does not include monetary clearing) other than a reverse repo with the Bank of Israel	Appendix Thirteen	Exchange member who sells and Exchange member who buys
12	Reverse repo with the Bank of Israel (MTM)	Appendix Thirteen "A"	Bank of Israel
13	Loan transfer	Appendix Thirteen "B"	Exchange member who transfers and Exchange member who receives
14	Loan transfer return	Appendix Thirteen "C"	Exchange member who transfers and Exchange member who receives
15	Transfer to custody	Appendix Fourteen	Transferor Exchange member and transferee Exchange

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	Transaction / act	Form	Signed by
16	Conversion	Appendix Fifteen	The member who submits the request
17	RF (Receive free)	Appendix Twenty-one or Twenty-one "A", as the case may be	The recipient member
18	DF (Delivery free)	Appendix Twenty-two	The transferor member
19	Deposit of Government bonds against monetary payment through the Clearing house	Appendix Thirty-three	Ministry of Finance
20	Withdrawal of Government bonds at the client's request	Appendix Thirty-four	The requesting member
21	Cash repurchase	Appendix Forty-four	Ministry of Finance
22	Swap	Appendix Forty-five	Ministry of Finance
23	Deposit of Government bonds that were issued in consequence of swap	Appendix Forty-six	Ministry of Finance

- b. A request to transfer securities not against monetary consideration, which was sent to the Clearing House for implementation by means of a computerized transmission, shall be carried out by way of a file transmitted from the transferor member to the transferee member through the Clearing House.

The transmitted file shall only include data that relate to clients who agreed that their data be transmitted between the transferor member and the transferee member through the Clearing House.

In order to perform the clearing the Clearing House shall extract from the transmitted file the data that are specified in Appendix Ten of the By-laws.

Clearing transactions with the Bank of Israel

4. Clearing of reverse Repos with the Bank of Israel and / or the clearing of off Exchange transactions (that include monetary clearing), which are carried out in continuation the issue of a short term loan by the Bank of Israel shall be carried out according to clearing instructions that the Clearing House will receive from the Bank of Israel alone, without obtaining the approval of the member that is the opposite party to the transaction. The said clearing shall be carried out on condition that the member that is the other party to the transaction gave the Clearing House a writ of authorization, as formulated in Appendix Forty-seven to the By-laws, which authorizes the Clearing House to enter all the debits against the member's monetary account or against the monetary account of the member that clears for it, as the case may be, and also all the debits in the subaccounts of the member, in accordance with instructions that the Clearing House will receive from the Bank of Israel and without any need for the member's specific approval of each individual aforesaid transaction.

The member shall deliver a signed copy of the writ of authorization to the Bank of Israel.

Rules for clearing securities

5. a. 1) Only the actual balance shall be the balance used for clearing securities.
- 2) A member, who performed a transaction or an act with a security, must cause the sub-account to which the transaction or act relates to have an actual balance of the said security on the date set for its clearing, as specified in section 9 below, in a quantity sufficient for clearing the transaction or act in its entirety.
- 3) Let it be stated clearly that nothing in the provisions of the By-laws, including – but without derogating from the generality of the aforesaid – the following provisions of this Chapter, derogates from the member's obligation said in subsection 2) above.
- b. The members' securities accounts shall be debited and credited in respect of each transaction or act with a security according to the quantity of the security with which the transaction or act was carried out.
6. a. Without derogating from the provisions of Chapter Seven in Part Two of the By-laws, a member is not entitled to securities by virtue of a transaction or act that he carried out, unless the full consideration for acquisition of the securities has been received by the Clearing House . If the full amount of the said consideration was not received by the Clearing House, ownership of the securities shall be vested in the Clearing House and the member shall not have any right thereto; for this purpose the provisions of section 34 of the Sale Law 5728-1968 shall apply to the Clearing House and it shall be deemed to have purchased the securities from a person whose business is the sale of assets of the kind sold, the sale having been in the ordinary course of his business. Without derogating from the aforesaid, the Clearing House shall be entitled and authorized to transfer the securities to a securities account that is kept at the Clearing House in the name of the Clearing House and to sell the securities to any third party whatsoever, free of any right of

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the member, all at the discretion of the Manager of the Clearing House, and the provisions prescribed in this Chapter shall apply to that matter.

- b. If, for any reason whatsoever, a member's account was credited with securities before the full consideration was received by the Clearing House, the credit in the member's account shall be on condition that the full consideration will be made by the member and will be received by the Clearing House at the times set therefor in the By-laws.

If the full amount is not received by the Clearing House as aforesaid, ownership of the securities shall be vested in the Clearing House and the member shall not have any right to them and the provisions prescribed in sub section a. above shall apply.

7. In each of a member's sub-accounts securities shall be related first on account of the transactions that he performed on the Exchange and then on account of the other transactions or acts that he performed, as will be decided for this purpose by the Manager of the Clearing House

Times for clearing

8. Securities shall be cleared in two rounds, as specified below:

The first clearing round shall take place on every business day, in the course of the first multi-lateral clearing window

The second clearing round shall take place on every business day in the course of the second multi-lateral clearing window

9. Below are specified the securities clearing times for different acts with securities:

	Act or Transaction	Time for clearing
a.	Stock Exchange transaction, other than a repo transaction	In the first clearing round on the first business day after the day on which a report about performance of the transaction was received at the Clearing House.
b.	Repo transaction	When a repo transaction has been received at the Clearing House, its first leg shall be cleared in the first clearing round on the first business day after the day on which it was received at the Clearing House, while the second leg shall be cleared in the first clearing round on the day set in the repo transaction for clearing the second leg, on condition that it is a business day. If the day set in the repo transaction for clearing the second leg is not a business day, clearing of the second

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		<p>leg shall be carried out on the first business day thereafter.</p> <p>Notwithstanding the aforesaid, the first leg of an overnight transaction shall be cleared in the second clearing round on the day on which the transaction was received at the Clearing House.</p>
c.	Off exchange transaction, other than reverse repo with the Bank of Israel	In the first clearing round on the first business day after the day on which the request to clear the transaction was received at the Clearing House.
d.	Request for transfer to custody that was received at the Clearing House at the following times: on Fridays and holidays eves until 11 AM; on trading days that take place during the intermediate days of Succoth and the intermediate days of Passover – until 12 noon; on any other trading day – until 2PM (hereafter: "latest times for submitting requests") .	In the first clearing round on the first business day after the day on which the transfer request was received at the Clearing House, or in the second clearing round on the day on which the transfer request was received at the Clearing House, if the member requested that the transfer be cleared on the same day.
e.	Application to transfer to custody, received by the Clearing House after the latest times for submitting requests	In the first clearing round on the first business day after the day on which the transfer request was received at the Clearing House
f.	Reverse repo with the Bank of Israel	In the first clearing round on the first business day after the day on which the request to clear the transaction was received at the Clearing House
g.	Deposit order, other than a deposit order said subsection 9 below, as well as a withdrawal order or a transfer request not for monetary consideration, or a DR transfer request, received at the Clearing House before the latest times for submitting requests	In the second clearing round on the business day on which the deposit order, withdrawal order or transfer request or a DR transfer request as the case may be, was received at the Clearing House before the latest times for submitting requests
h.	Deposit order, other than a deposit order said in subsection 9 below, and a withdrawal order or a transfer request not for monetary consideration or a DR transfer request, received at the Clearing House after the latest times for submitting requests	In the first clearing round on the first business day after the day on which the deposit order, withdrawal order, a transfer request or a DR transfer request, as the case may be, was received at the Clearing House
i.	Deposit order that stems from the first listing of a security	In the first clearing round on the first business day the day on which the deposit order was received at the Clearing House

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	Act or Transaction	Time for clearing
j.	1) a conversion request, which was received by the Clearing House until 12:00 o'clock noon on a trading day that is not the last day for exercising the security or for exercising rights	In the second clearing round on the trading day on which the conversion request was received at the Clearing House
	2) a conversion request, which was received by the Clearing House after 12:00 o'clock noon on the last trading day before the last day for exercising the security or for exercising rights, until 9:00 AM on the trading day that is the last day for exercising the security or for exercising rights	In the second clearing round on the trading day that is the last day for exercising the security or for exercising rights
k.	A DF request or an RF request received by the Clearing House on any trading day until 12:00 noon	In the second clearing round on the trading day on which the DF request or the RF request was received at the Clearing House, as the case may be
L	A DF request or an RF request received by the Clearing House on any trading day after 12:00 noon and until 4:00 PM	In the first clearing round on the first business day after the day on which the DF request or the RF request was received at the Clearing House, as the case may be.
M to O has yet to be put into effect		
P	Request for a loan transfer or a loan return transfer, received at the Clearing House by the latest time for the submission of requests	In the first clearing round on the first business day after the day on which the Clearing House received the request for the loan transfer or the loan return transfer, or in the second clearing round on the day on which the Clearing House received the request for the loan transfer or the loan return transfer, if the member requested that the request for the loan transfer or the loan return transfer be carried out on that day
Q	Request for a loan transfer or a loan return transfer, received at the Clearing House after the latest time for the submission of requests	In the first clearing round on the first business day after the day on which the Clearing House received the request for the loan transfer or the loan return transfer

Separate clearing

10. a. Notwithstanding the provisions of section 9 above, the Clearing House shall clear an act or transaction that is not a Stock Exchange transaction before the time set for clearing it as said in the above section 9 (hereafter: "separate clearing"), and that when all the conditions specified below have been met:
- 1) a request for separate clearing was received by the Clearing House signed

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by the members who are parties to the act or transaction;

- 2) the request for separate clearing was received by the Clearing House on a trading day at the following times: on a trading day during the interim days of Succoth or of Passover – up to 12:00 noon; on any other trading day – until 1:00 PM;

it is hereby made clear that that the Ch/ does not assume an obligation to carry out a request for separate clearing that was nor received at the times prescribed above; however, if the Clearing House so decided at its discretion, it may carry out said separate clearing;

- 3) the quantity of securities stated in the request for separate clearing does not exceed the actual balance in the subaccount to which it refers; if the Clearing House received a request for separate clearing of a quantity of securities greater than the actual balance in the subaccount to which it refers, the request shall not be carried out at all and it shall be returned to the member who requested to sell or to transfer the securities; if there is another party to the transaction or act, the Clearing House shall inform the other party that the transaction or the act was not carried out without stating the reason therefor.
- b. Notwithstanding the provisions of section 9 above, the Clearing House may clear an act or transaction that is not a Stock Exchange transaction by separate clearing, and that in order to make clearing corrections.
 - c. Updated clearing sheets that include the debits and credits made in consequence of separate clearing shall be available to the members soon after the separate clearing was carried out.

Lack of a sufficient quantity of securities

11. Without derogating from the provisions of section 5 above, a transaction or an act that relates to a quantity of securities in excess of the actual balance in the subaccount to which it relates and which – if that were not the case – would have been cleared in the first clearing round of a certain day, shall not be cleared in the said first clearing round and shall be moved for clearing in the second clearing round on the same day.
12. A transaction that is not an Exchange transaction or an act that is not a transfer to custody (on Exchange) that was not cleared in the second clearing round as said in section 11 above, because a sufficient quantity was not in the actual balance in the subaccount to which it relates shall not be carried out at all and shall be returned to the member who wished to sell or transfer the securities. If there is another party to the transaction or act, the Clearing House shall inform the other party that the transaction or act was not carried out, without stating the reason therefore.

Pending transaction

13. a. A transaction on the Stock Exchange or a transfer to custody (on Exchange) (hereafter: "the original transaction") that was not cleared in the second clearing round, as said in section 11 above, because a sufficient actual quantity was not in the subaccount to which it relates shall become a pending transaction and shall be marked as such in the clearing system.
- b. When an original transaction has become a pending transaction the Clearing House shall inform each of the parties to the transaction of the particulars of the transaction and of the identity of the opposite party to the transaction.
- c. On the first business day after the record date for obtaining partial redemption of a security that is the subject of a pending transaction, the Clearing House shall – before the first clearing round – subtract from the quantity of securities, in respect of which the original transaction was made, a quantity equal to the quantity of securities that would have been redeemed if the original transaction had not turned into a pending transaction. The quantity of securities to be subtracted as aforesaid shall be rounded to the nearest whole number (hereafter: "the redeemed quantity").

Furthermore, the balance to be delivered by the selling member and also the balance to be received by the buying member shall be updated according to the aforesaid.

Let it be clearly stated that the aforesaid does not change the consideration that was agreed between the parties to the original transaction.

- d. If a corporate event other than partial redemption occurred in respect of a security that is the subject of a pending transaction, and in consequence thereof the quantity of securities to which each holder of the security is entitled will change, or if in consequence thereof a holder of the security will be entitled to another security that is listed for trading on a Stock Exchange, then before the first clearing round on the day designated the payment day in respect of the corporate event the quantity of the security in the pending transaction shall be updated just as it would have been updated if the original transaction had not become a pending transaction. If, in consequence thereof, fractions of securities are created, the quantity shall be rounded to the nearest whole number.

Furthermore, the balance to be delivered by the selling member and the balance to be received by the buying member shall also be updated according to the aforesaid.

Let it be clearly stated that the aforesaid shall not change the consideration determined between the parties to the original transaction.

In order to remove any doubt it is hereby clearly stated that, if there is a payment day due to any right attached to the security that is the subject of the pending transaction (such as interest, interest in kind, dividend, dividend in kind, rights and bonus shares), the quantities shall not be updated as aforesaid. In cases in which the Clearing House provides claim service in respect of a said right, the Clearing House shall act according to the provisions of section 25 below in this Chapter.

- e. A pending transaction shall be brought to be cleared in each of the clearing rounds after the second clearing round said in section 11 above, until the actual balance in the subaccount to which the pending transaction relates is not less than the balance that is needed for it to be cleared. After every clearing round, in which the pending transaction was not cleared, the Clearing House shall so inform the parties to the transaction.

When the actual quantity in the subaccount to which the transaction relates is sufficient, the Clearing House shall clear the transaction.

14. a. 1) On every trading day on which a member has a net balance to deliver of any security, the Clearing House shall – at the end of the second clearing round – calculate the amount to be debited against the member's monetary account according to the opening price of the security on that trading day, multiplied by the net balance to deliver and also by the safety factor specified in subsection 2) below.

On Fridays and on holiday eves the amount to be debited against the member's monetary account shall be calculated after the second clearing round according to the closing price on the preceding trading day.

On the intermediate days of Succoth and the intermediate days of Passover the amount to be debited against the member's monetary account shall be calculated after the second clearing round according to the closing price on that day.

The calculation specified above shall be made anew on each business day in respect of every net balance to deliver of every security, and that as long as the member has a net balance to deliver in respect of any security.

- 2) The safety factor referred to in subsection 1) above shall be as follows:

<u>Type of security</u>	<u>Safety factor</u>
(a) Government bonds and short term loans	The safety factor will be as prescribed in section 2 of Chapter Three "A" in Part One of the By-laws.
(b) Shares included in the TA-35 index and debentures convertible into such shares	25%

(c)	Shares included in the TA-90 index and debentures convertible into such shares	40%
(d)	Shares included TA-SME60 index and debentures convertible into such shares, debentures, commercial securities, basket certificates and share basket certificates	50%
(e)	Shares included in the TA-Growth index and debentures convertible into such shares	75%
(f)	Other shares and debentures convertible into such shares, warrants, buy options and convertibles into debentures	100%

- b. A member must pay the Clearing House the amount calculated by the calculation in subsection a. above (hereafter in this section: "the calculated amount"). In order to make the payment the Clearing House will debit the calculated amount against the member's monetary account and credit that amount to one of the transit accounts of the Clearing House (hereafter: "the Clearing House transit account"), which for this purpose will be held by the Clearing House in a member bank with a high short term rating or in a bank that received a foreign bank license and a permit to open a branch in Israel, as prescribed in section 4(a)(2) and 28(a) of the Banking (Licensing) Law 5741-1981 and that is a "bank with a high short term rating".

Notwithstanding the aforesaid –

- 1) if on any business day the amount deposited in the Clearing House transit account in respect of the net balance to deliver of that security is higher than the calculated amount, the Clearing House shall debit the amount of the differential against the Clearing House transit account and credit that amount to the member's monetary account;
 - 2) if on any business day the amount deposited in the Clearing House transit account in respect of the net balance to deliver of that security is less than the calculated amount, the Clearing House shall debit the amount of the differential against the member's monetary account and credit that amount to the Clearing House transit account;
 - 3) if on any business day the amount deposited in the Clearing House transit account in respect of the net balance to deliver of that security is equal to the calculated amount, the Clearing House shall not make any debit or credit.
- c. The member's monetary account will be debited or credited by the Clearing House as said in subsection b. above in the third multilateral clearing window on the business day on which the calculation was made.

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Notwithstanding the aforesaid, if the calculation was made on a Friday or holiday eve or during the intermediate days of Succoth or during the intermediate days of Passover, the said debit or credit shall be made by the Clearing House in the first multilateral clearing window on the first business day after the day on which the calculation was made.

- d. A member must pay the Clearing House an amount equal to 1.5%, divided by 365, of the value of the member's net balance to deliver for each day on which the member has a net balance to deliver in respect of Government bonds, debentures, debenture basket certificates, convertibles into debentures, short term loans and commercial securities, and 3% divided by 365 of the value of the member's net balance to deliver for each day on which the member has a net balance to deliver in respect of shares, convertible debentures, share basket certificates, warrants and buy options.

The value of the net balance to deliver of any security shall be calculated according to the security's opening price on that business day.

On Fridays and holiday eves the value of the net balance to deliver of the security shall be calculated according to the closing price on the preceding trading day.

For purposes of making the payment, the Clearing House shall debit the member's monetary account.

- e*. At the end of each calendar month the Clearing House shall credit to the member's monetary account an amount equal to the total of all daily balances to the credit of the Clearing House in the Clearing House transit account, which derived from the member's pending transactions in the course of the past month, multiplied by 100% of the lowest daily interest rate that was credited to the Clearing House transit account in the course of that month, the interest rate having been rounded down to the nearest tenth of a per cent. The calculation shall be made separately for each subaccount.

If the amount that was calculated as aforesaid is less than NIS 100, the member shall not be credited.

Notwithstanding the aforesaid, the Clearing House shall not credit an amount of the daily interest to the member, as said above, in respect of the amounts held in the Clearing House transit account that stemmed from a pending transaction that became a failed transaction.

Failed Transactions – General

15. a. If a pending transaction was not cleared as aforesaid until the first multi-lateral clearing window was closed on the fourth trading day after the day on which the original transaction was made (T+4), the pending transaction shall become a failed transaction and shall be marked as such in the clearing system.

It is hereby clearly stated that, once a pending transaction has become a failed transaction, the provisions of the above section 13.e. shall not apply to it any longer and the transaction shall not be brought forward for clearing during the subsequent clearing rounds.

Notwithstanding the aforesaid, the Clearing House may turn the pending transaction into a failed transaction at an earlier time, after it gave the parties notice to that effect. Furthermore, if the securities that are the subject of the pending transaction are securities that are traded both in Tel Aviv and abroad and that are cleared both at a Clearing House in Israel and at a foreign Clearing House, the Clearing House may postpone turning the pending transaction into a failed transaction and it may bring the transaction to be cleared in the subsequent clearing rounds, as said in the above section 13.e., and that up to the time when the first multi-lateral clearing window is closed on the eighth trading day after the day on which the original transaction was carried out (T+8).

- b. If the record date for the partial redemption of a security that is the subject of a failed transaction occurs, the provisions prescribed in section 13.c. above shall apply, mutatis mutandis, as the case may be.
- c. If the payment day in respect of a corporate event other than partial redemption occurs in respect of a security that is the subject of a failed transaction, and in consequence thereof the quantity of securities to which each holder of the security is entitled will change, or if in consequence thereof a holder of the security will be entitled to another security that is listed for trading on a Stock Exchange, then the provisions prescribed in section 13.d. above shall apply, mutatis mutandis, as the case may be.
16. After the first round on the trading day on which a pending transaction turned into a failed transaction the provisions specified below shall apply:
- a. The Clearing House shall transfer the entire quantity of securities that are the subject of the failed transaction and that is in the subaccount through which the selling member performed the sale to a securities account kept at the Clearing House in the name of the Clearing House and that is dedicated to this purpose (hereafter: "the Clearing House securities account"). To that end the Clearing House shall debit the quantity of securities that is the subject of the failed transaction and that is in the subaccount through which the selling member performed the sale and credit that quantity to the Clearing House securities account. The Clearing House shall inform the selling member of the aforesaid debit against his account.

- b. The Clearing House shall transfer securities that are the subject of the failed transaction from the selling member's nostro account – if such there are – to the Clearing House securities account, and that in respect of a quantity equal to the differential between the missing quantity (as defined below) and the quantity of securities that were transferred from the subaccount through which the selling member performed the sale, as specified in sub section a. above. The transfer shall be carried out by debiting the said quantity against the nostro account and crediting that quantity to the Clearing House securities account. The Clearing House shall inform the selling member of the aforesaid debit against his account.

In this Chapter –

"the missing quantity" – the entire quantity of securities that the selling member undertook to deliver as part of the original transaction, that quantity being adjusted in the manner specified in sections 13.c., 13.d., 15.b. or 15.c. above, as required.

- c. When the Clearing House has acted as said in subsections a. and b. above and when the entire quantity needed in order to clear the missing quantity has been accumulated in the Clearing House securities account, then the Clearing House shall credit the accumulated quantity to the selling member and clear the failed transaction between the buying member and the selling member.
- d. When the Clearing House has acted as said in subsections a. and b. above, but the entire quantity needed in order to clear the missing quantity has not been accumulated in the Clearing House securities account, the Clearing House shall act to buy a quantity of securities equal to the missing quantity, less quantities that were transferred to the Clearing House securities account, as said in subsections a. and b. above (hereafter: balance of the missing quantity) and these provisions shall apply:
- 1) the selling member must pay the Clearing House the amount obtained by multiplying the balance of the missing quantity by the price of the security at which the original transaction was carried out. To that end the Clearing House shall debit that amount against the selling member's monetary account and credit that amount to the Clearing House transit account.
 - 2) the Clearing House shall act to buy the balance of the missing quantity through a member that is the bank with which the Clearing House transit account is kept (hereafter: "the purchasing agent").

Let it be clearly stated:

- (a) if one of the following dates occurs – the record date for a final redemption, the final date for exercising an warrant or a convertible debenture or the final date for the exercise of rights – then the Clearing House shall purchase the entire missing quantity as aforesaid only up to the last trading day of the security, and in respect of rights up to the last day for exercising the rights.

- (b) If the final date occurs for transferring the consideration for a forced sale or for delisting of the security that is the subject of the failed transaction, then the Clearing House shall buy the balance of the missing quantity only up to the last day for trading in the security.
- 3) The Clearing House shall instruct the purchasing agent to purchase the balance of the missing quantity, either on or off the Exchange, without any limit on the price.
- 4*) On each business day, as long as the Clearing House has not acquired the entire balance of the missing quantity, the Clearing House shall, at the end of second clearing round, calculate the amount that shall be debited against the selling member's monetary account, according to the opening price of the security on that business day, multiplied by the differential between the entire balance of the missing quantity and the quantity that was acquired by the Clearing House up to that date in respect of that transaction, as specified below.

On Fridays and holiday eves the amount to be debited against the monetary account of the selling member shall be calculated after the second clearing round according to the closing price of the preceding day.

On the intermediate days of Succoth and the intermediate days of Passover the amount to be debited against the monetary account of the member shall be calculated after the second clearing round according to the closing price of that day.

If the amount deposited in the Clearing House transit account on account of that transaction is greater than the amount according to the aforesaid calculation, the Clearing House shall debit the amount of the differential against the Clearing House transit account and credit that amount to the selling member's monetary account.

If the amount deposited in the Clearing House transit account on account of that transaction is less than the amount obtained by the aforesaid calculation, the Clearing House shall debit the amount of the differential against the selling member's monetary account and credit that amount to the Clearing House transit account.

If the amount deposited in the Clearing House transit account on account of that transaction is equal to the amount obtained by the calculation, the Clearing House shall not make any credit or debit whatsoever.

- 5). Debits or credits to a member's monetary account, as said in subsection 4) above, shall be made by the Clearing House in the first multilateral clearing window on the business day on which the calculation was made.

Notwithstanding the aforesaid, if the calculation was made on a Friday or holiday eve, or during the intermediate days of Succoth or of Passover, the said debit or credit shall be made by the Clearing House in the first multilateral clearing window on the first business day after the day on which the calculation was made.

- 6) Without derogating from any other right that the Clearing House has under the By-laws, the Clearing House may use the money deposited in the transit account, as specified in sections 14, 16.d.1) and 16.d.4) above, for the purchase of the balance of the missing quantity.

Clearing a pending transaction or a failed transactions

17. a. When the purchasing agent has bought the balance of the missing quantity or any part thereof, the purchasing agent shall transfer the securities that he bought as aforesaid to the securities account of the Clearing House.
 - b. When all the securities needed in order to clear the entire missing quantity has been accumulated in the securities account of the Clearing House, the Clearing House shall credit the accumulated securities to the selling member and clear the failed transaction between the buying member and the selling member.
 - b. If 21 days passed since the date on which the original transaction was made and the Clearing House has not managed to accumulate the entire missing quantity in the Clearing House securities account, the Clearing House shall clear the transaction by way of a monetary accounting, as specified in section 20 below, except in respect of repo transactions, to which the provisions of subsection a. above shall continue to apply until all the securities needed in order to clear the entire missing quantity have been accumulated in the Clearing House securities account.
18. a. If a failed transaction was cleared by the Clearing House as said in section 17.b. above and if the consideration for purchasing the balance of the missing quantity was greater than the amount deposited in respect of that transaction in the transit account of the Clearing House, as specified in section 16.d. above, the selling member must pay to the Clearing House the amount of the differential between the consideration for the purchase of the balance of the missing quantity and the amount deposited in the Clearing House transit account, as aforesaid. To this end the Clearing House shall debit the amount of the said differential against the selling member's monetary account.
 - b. If the amount deposited in respect of that transaction in the transit account of the Clearing House, as specified in section 16.d. above, is greater than the consideration for purchasing the balance of the missing quantity, the Clearing House shall credit the amount of the differential between the amount deposited in the Clearing House transit account in respect of that transaction and the amount of the consideration for the purchase to the selling member's monetary account.
 - c. If the consideration for purchasing the balance of the missing quantity was less than the amount obtained by multiplying the balance of the missing quantity by the price of the security at which the original transaction was carried out, the Clearing House shall debit the amount of the differential between the amount obtained by multiplying the balance of the missing quantity by the price of the security at which the original transaction was carried out and the amount of the consideration for purchasing the balance of the missing quantity against the selling member's monetary account. This amount shall remain in the Clearing House transit account.

19. If the Clearing House received any rights whatsoever that were paid by the issuer in respect of the securities that accumulated in the Clearing House securities account, as said in sections 16 and 17.a. above, the Clearing House shall credit the said rights to the selling member, as far as that is possible.
20. a. In addition to the provisions of section 17.c. above, the Clearing House shall clear a pending transaction or a failed transaction that is not a repo transaction by way of monetary accounting or accounting in kind, as the case may be, in each of the instances specified below:
- 1) if the payment day for the final redemption or for the voluntary early redemption of the capital amount of a debenture occurred after an original transaction became a pending transaction or a failed transaction, on condition that the transaction was not canceled by the buying member as specified in section 21 below. In a said case, an accounting shall be made as said in sections 20.c.2) or 20.c.3) below, as the case may be;
 - 2) if the payment day for a partial redemption occurred after an original transaction became a pending transaction or a failed transaction, the Clearing House shall clear the redeemed quantity, on condition that the transaction was not canceled by the buying member as specified in section 21 below; ; in a said case, an accounting shall be made as said in section 20.c.4) below;
 - 3) if the payment day occurred in respect of a corporate event and in consequence thereof a holder of the security will be entitled to another security that is not traded on a Stock Exchange or to any other rights after the original transaction became a pending or a failed transaction, on condition that the transaction was not canceled by the buying member, as specified in section 21 below; in a said case a monetary accounting shall be made on the payment day;
 - 4) if the final day for trading an warrant occurs after the original transaction became a pending or a failed transaction, on condition that the transaction was not canceled by the buying member, as specified in section 21 below; in a said case a monetary accounting shall be made on the last exercise date of the warrant;

if trading did not take place on the day on which the final day for trading the warrant occurred, the Clearing House may, at its discretion, make the monetary accounting in a manner different from that said in section 20.c. below
 - 5) if an original transaction in rights was carried out on the day for trading rights and became a pending or a failed transaction; in the said case the monetary accounting shall be made on the day that is the last day for exercising the rights;

- 6) the security was delisted because of a forced sale or any other reason after the original transaction with the security became a pending or a failed transaction, on condition that the transaction was not canceled by the buying member, as specified in section 21 below; in a said case a monetary accounting shall be made on the second business day after the day on which the security was delisted;

if there was no trading in the security before it was delisted, the Clearing House may, at its discretion, make the monetary accounting in a manner different from that said in section 20.c. below;

- 7) the buying member canceled the failed transaction, as specified in section 21 below;
 - 8) an event occurred, because of which the Clearing House has the right to demand immediate payment of the obligations of the selling member or of the buying member (as said in Chapter Three "A" of Part One of the By-laws).
- b. In addition to the aforesaid in subsection a. above, the Clearing House may clear a pending transaction or a failed transaction that is not a repo transaction by way of monetary accounting, if the record date in respect of a corporate event occurred after the transaction became a pending transaction or a failed transaction. The said clearing shall be carried out on the record date, on the payment date or at any other time set by the Clearing House at its discretion..
 - c. An aforesaid monetary accounting or accounting in kind shall be carried out after the end of the second clearing round on the day of the accounting, as follows:
 - 1) a) (1) If, on the date of the monetary accounting, the last known closing price of the security (hereafter: "price of the security on the day of the monetary accounting) is higher than the price of the security at which the original transaction was made, the amount of the differential between the price of the security on the day of the monetary accounting and the price of the security at which the original transaction was made, multiplied by the missing quantity, shall be credited to the buying member' monetary account and that amount shall be debited against the selling member's monetary account If the price of the security on the day of the monetary accounting is equal to or less than the price of the security at which the original transaction was made, the monetary account of the selling member shall not be debited and the monetary account of the buying member shall not be credited with any amount.
 - (2) If the original transaction was cleared by the Clearing House by way of monetary accounting, as aforesaid, the Clearing House shall credit to the selling member the amount deposited in respect of that transaction in the transit account of the Clearing House as said in section 16.d. above.

- b) (1) If part of the missing quantity accumulated in the Clearing House securities account (hereafter: "the accumulated quantity") up to the date of the monetary accounting, the Clearing House shall clear the proportional part of the failed transaction according to the accumulated quantity. To that end the Clearing House shall credit the purchased quantity to the buying member and debit an amount equal to the price of the security at which the original transaction was made, multiplied by the accumulated quantity (hereafter: "the proportional amount of consideration") against his monetary account. The Clearing House shall also credit the proportional amount of consideration to the monetary account of the selling member,
- (2) If the Clearing House cleared part of the failed transaction, as said above, and the consideration for the purchase of the quantity purchased by the Clearing House, as said in section 16.d., is greater than the amount deposited in respect of that transaction in the transit account of the Clearing House, as specified in section 16.d. above, the selling member must pay the Clearing House the amount of the differential between the consideration for the purchase and the amount that was deposited in the Clearing House transit account.

To that end the Clearing House shall debit the amount of the said differential against the selling member's monetary account.

If the amount deposited in respect of that transaction in the transit account of the Clearing House, as specified in section 16.d. above, is greater than the consideration for the purchase of the purchased quantity, the Clearing House shall credit the amount of the differential between the amount deposited in respect of that transaction in the Clearing House transit account and the consideration for purchasing the purchased quantity to the selling member's monetary account.

If the consideration for the purchase of the purchased quantity is less than the amount obtained by multiplying the balance of the missing quantity by the price of the security at which the original transaction was carried out, the Clearing House shall debit the amount of the differential between the amount obtained by multiplying the balance of the missing quantity by the price of the security at which the original transaction was carried out, and the consideration for the purchase of the purchased quantity against the selling member's monetary account.

- (3) In addition to the provisions of subsection 1)b)(2) above, the Clearing House shall make a monetary accounting, as specified in subsection 1)a)(1) above, in respect of the missing quantity, less the aforesaid accumulated quantity.

2) **Final redemption**

Notwithstanding the provisions of section 20.c.1) above, in the case of a final redemption, as said in section 20.a.1) above, the monetary accounting or the accounting in kind shall be carried out as follows:

a) **Monetary accounting**

- (1) If, on the payment day, the amount of redemption of the missing quantity is greater than the consideration set in the original transaction, the amount of differential between the said amounts shall be debited against the selling member's monetary account and the said amount shall be credited to the buying member's monetary account.

If, on the payment day, the amount of redemption of the missing quantity is equal to or less than the consideration set in the original transaction, the selling member's monetary account shall not be debited and the buying member's monetary account shall not be credited with any amount.

- (2) Notwithstanding the aforesaid, if on the day of payment the issuer did not carry out the final redemption of the security that was the subject of the original transaction, the Clearing House shall not clear the transaction and shall not make any monetary accounting as specified above on the payment day.

If, after the payment day, the issuer did make any payment – in full or in part – in respect of the final redemption of the security that is the subject of the original transaction, the Clearing House shall make a monetary accounting as specified above, in accordance with the conditions of the final redemption that was carried out by the issuer.

Purchased

- (3) (a) If part of the missing quantity accumulated in the Clearing House securities account up to the trading day before the record date, then on the record date the Clearing House shall clear the proportional part of the failed transaction in accordance with the quantity that accumulated as aforesaid, and the provisions prescribed in subsection 20.c.1)b)(1) and (2) above shall apply to this matter, mutatis mutandis, as the case may be.
- (b) Furthermore, the provisions prescribed in the above section 20.c.2)(a(1) and (2) shall apply in respect of the missing quantity, less the quantity that accumulated, as aforesaid.

b) **Accounting in kind**

If the issuer performed the final redemption by way of a payment in kind (that is, not by way of a monetary payment) on or after the payment day, the Clearing House shall act as follows:

- (1) (a) The Clearing House shall debit the consideration prescribed in the original transaction against the buying member's monetary account and credit that amount to the selling member's monetary account.
 - (b) The Clearing House shall debit the selling member and credit the buying member in accordance with the conditions of the final redemption, as carried out by the issuer, and that whether in cash or in kind, all in the manner and on the conditions that will be determined for this matter by the Clearing House at its discretion.
- (2) If until the trading day before the record date part of the missing quantity was accumulated in the Clearing House securities account, the provisions on clearing the proportional part of the failed transaction prescribed in section 20.c.2)a)(3)(a) above shall apply, mutatis mutandis, as the case may be, and the Clearing House shall make the accounting in kind as said in section 20.c.2)b)(1) above in respect of the missing quantity, less the quantity that was accumulated as aforesaid.

3) **Voluntary early redemption of a debentures fund**

Notwithstanding the provisions of section 20.c.1) above, in the case of the voluntary early redemption of a debentures fund, if the buying member asked that his monetary account be credited with the amount he would have received, if the original transaction had been cleared on or before the record date, then the buying member shall submit to the Clearing House a written application, as formulated in Appendix Fifteen "B1". When the said application has been submitted, the provisions prescribed for a monetary accounting at a final redemption shall apply, as said in section 20.c.2)a)(1) above, mutatis mutandis as the case may be.

4) **Partial redemption**

Notwithstanding the provisions of section 20.c.1) above, in the case of a partial redemption said in section 20.a.2) above the following provisions shall apply:

- (a) On the payment day the amount of redemption of the redeemed quantity shall be debited against the selling member's monetary account and the same amount shall be credited to the buying member's monetary account.

- (b) Notwithstanding the provisions of subsection (a), if on the payment day the issuer did not carry out the partial redemption of the security that is the subject of the transaction, the Clearing House shall not clear the redeemed quantity and shall not make the monetary accounting as specified above.
- (c) If, after the payment day, the issuer makes any payment – in full or in part – in respect of the partial redemption of the security that is the subject of the original transaction, the Clearing House shall make a monetary accounting, as specified in subsection (a) above, in accordance with the payment made by the issuer.
- (d) If the issuer made the partial redemption by way of a payment in kind (that is, not by way of a monetary payment), either on the payment day or thereafter, the Clearing House shall debit the selling member and credit the buying member in accordance with the conditions of the partial redemption, as it was carried out by the issuer, and that either in cash or in kind, all in the manner and on the conditions that will be prescribed therefore by the Clearing House at its discretion.
- (e) It is hereby clearly stated that the provisions prescribed in this Chapter in respect of pending transactions or failed transactions, as the case may be, shall continue to apply in respect of the missing quantity (as adjusted according to sections 13.c. or 15 above).
- d. The provisions of subsections a. to c. above shall not apply to repo transactions.
21. a. 1) Beginning with the date on which a pending transaction became a failed transaction the buying member may cancel the transaction at any time.
- If the buying member wishes to cancel the transaction as aforesaid, the Clearing House shall make a monetary accounting, as specified in section 20.c.1) above.
- The request to cancel shall be as formulated in Appendix 35 that is attached to the By-laws.
- 2) Notwithstanding the provisions of subsection 1) above –
- (a) when a transaction has become a pending transaction, the buying member may cancel the original transaction, if the record date for final redemption of the security occurred (even before the pending transaction became a failed transaction), on condition that the request to cancel is submitted by the buying member on or after the day on which trading in the secured is stopped and up to the record date.
- The request to cancel shall be as formulated in Appendix 36 that is attached to the By-laws

- (b) If the record date for the receipt of any right in respect of a security occurred after a pending transaction became a failed transaction, and if the right is of the kind of rights for which the Clearing House provides claim services, as specified below in this Chapter, then beginning with the record date for receiving the said right the buying member shall not have the right to cancel the original transaction.
 - (c) If the record date in respect of a corporate event occurred in respect of the security that is the subject of the transaction after a pending transaction became a failed transaction, then beginning with the record date and thereafter the buying member shall not have the right to cancel the original transaction.
- b. The provisions of subsection (a) above shall not apply to repo transactions.
22. It is hereby clearly stated that, if the Board of Directors of the Clearing House decided on the early conclusion of all repo transactions to which a member is party, as specified in Chapter Nineteen "D" below, then all the repo transactions to which the member is party will be concluded early and the provisions prescribed in Chapter Nineteen "D" below shall apply thereto.
23. The Clearing House shall act on all matters connected to pending transactions or to failed transactions according to what is specified above in this Chapter Five and the Clearing House shall not be under any obligation to perform any act or to make any payment on any matter connected to a pending transaction or to a failed transaction, except where that obligation is explicitly prescribed above in this Chapter Five and subject to the conditions that are prescribed there.
24. It is hereby clearly stated that, if the Clearing House suffers any monetary damage that stems from any act that is specified in this Chapter or in connection therewith, then without derogating from the members' undertakings toward the Clearing House the Clearing House may act on all matters connected to the Risk Fund, as specified in Chapter Three "A" of Part One of the By-laws.

Claim service

25. a. **General provisions**

- 1) Claim service, as specified below in this section 25, is not provided in respect of securities of companies to which the tax laws of the United States apply.
- 2) A claim service is only provided in respect of the rights attached to securities that are specified below:
 - a) cash dividend payments (hereafter: "dividends");
 - b) cash interest payments (hereafter: "interest");

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- (c) dividend payments in kind that are carried out through the distribution of securities traded on a Stock Exchange (hereafter: "dividends in kind");
 - (d) interest payments in kind that are carried out through the distribution of securities traded on a Stock Exchange (hereafter: "interest in kind");
 - (e) distribution of bonus shares (hereafter: "bonus shares");
 - (f) offerings by way of rights (hereafter: ":rights") to holders of the company's shares.
- 3) If a transaction was carried out with a security and if on the record date for the receipt of any right in respect of the security the transaction was a pending transaction or a failed transaction, then – If the Clearing House provides claim service in respect of the aforesaid right – the Clearing House shall act to provide claim service, as specified below in this section 25 and in accordance with the conditions prescribed in it.
- 4) It is hereby clearly stated that the Clearing House is not under any obligation to provide a claim service and that the Clearing House will act to provide that service only in respect of certain rights, as specified above, and that in order to help members arrange between them efficiently the receipt of the said rights in the case of a pending transaction or a failed transaction.
- 5) In providing a claim service, the Clearing House shall only act as a connecting factor between the Clearing House members.
- It is hereby clearly stated that the Clearing House will not be responsible for the award of any right or for the actual performance of any payment whatsoever, in respect of which the Clearing House provides a claim service, and that the Clearing House shall not guarantee that or be responsible for it in any manner.
- 6) Without derogating from the generality of the aforesaid, if an event occurred that gives the Clearing House the right to call for the immediate payment of a member's obligations (as said in Chapter Three "A" of Part One of the By-laws) or if an event occurred in respect of which the Clearing House has the right to announce the early conclusion of all repo transactions to which a member is party (as said in Chapter Nineteen "D" above), the Clearing House shall not provide claim service in respect of transactions to which the said member is a party.
- 7) Without derogating from any other power vested in the Clearing House under these By-laws, each member of the Clearing House hereby authorizes the Clearing House to make in his name and in his place all the credits and debits that stem from the acts that the Clearing House performs as part of a claim service.

- 8) It is hereby clearly stated that provision of a claim service does not derogate from the rights of one member vis-à-vis another member that is an opposing party to a pending transaction or to a failed transaction (hereafter: "the opposite party"), in respect of any damage or expense caused to the member as the result of any act or omission by the opposite party.

b. **Making payments – general**

- 1) The Clearing House shall make all the debits and credits under a claim service – as far as possible – on the payment day or immediately thereafter, on condition that the payment actually was made by the issuer. Let it be clearly stated that – if because of any reason whatsoever the payment was not actually made by the issuer– the Clearing House shall not provide a claim service in respect of the said payment.
- 2) The Clearing House shall not deal with the tax aspects that are connected to payments made as part of a claim service and shall not deduct tax at the source.
- 3) It is not possible to waive the receipt of any right or payment whatsoever through the Clearing House, if the Clearing House provides a claim service in respect of the said right or payment. Without derogating from the generality of the aforesaid, it is hereby clearly stated that a client does not have the right to inform the member through whom he acts that he waives receipt of any right or payment whatsoever through the Clearing House, and the member does not have the right to give notice of a said waiver to the Clearing House according to the provisions of Chapter Nine of Part Two of the By-laws, if the Clearing House provides claim service in respect of the said right or payment.

c. **Dividend and interest payments in cash**

The Clearing House shall debit the selling member for an amount equal to the amount of interest or amount of dividend, as the case may be, to which the buying member would have been as entitled, if the original transaction had been cleared up to or on the record date, and it shall credit that amount to the buying member's monetary account.

d. **Payment in securities traded on a Stock Exchange**

In the event of a dividend payment or of an interest payment in kind, or of a distribution of bonus shares or of rights, as said above in section 25.a.2), the following provisions shall apply:

- 1) on the payment day the Clearing House shall debit against the subaccount through which the selling member carried out the original transaction the quantity of securities to which the buying member would have been entitled, if the original transaction had been cleared up to and including the record date, and it shall credit that quantity to the subaccount through which the buying member carried out the original transaction.

- 2) If in the selling member's subaccount there is not an actual quantity of securities that suffices for making the debit, the Clearing House shall try to debit the selling member's subaccount in each of the following clearing rounds, until the actual balance in the said subaccount is not less than the balance required in order to make the debit. If a sufficient balance is actually created in the subaccount to which the debit relates, the Clearing House shall make the debit and the credit as said in subsection 1) above.
 - 3) If the Clearing House did not manage to make the debit as said in subsection d.2) above until the end of 21 days after the payment date, because of the lack of a sufficient actual quantity, then the Clearing House shall debit the amount obtained by multiplying the quantity of securities to which the buying member was entitled as aforesaid by the price of the security, as it was on the payment day or as it is on the day of the monetary accounting, whichever is larger, against the selling member's monetary account and credit that amount to the buying member's monetary account.
 - 4) Notwithstanding the aforesaid, in the event of a rights distribution the Clearing House shall act as said in the closing passage of subsection d.3) above on the last day for exercising the rights.
- e. When the Clearing House has made a debit or a credit according to the above provisions of this section 25, it shall make reports that detail the entries in their accounts available to the members.

Refund of expenses, exemption, indemnification and compensation

26. a. 1) Without derogating from the provisions of the By-laws, the selling member or the member that transfers to custody (on Exchange) shall bear all the costs that will be caused the Clearing House, including – but without derogating from the generality of the aforesaid – all payments, expenses, premiums and commissions that will be involved in or connected to the activity of the Clearing House in connection with a pending transaction or a failed transaction, including – but without derogating from the generality of the aforesaid – in connection with any lack of securities or lack of monetary cover that derive from the transactions or acts carried out by him or that are connected thereto. These amounts shall be added to all the member's other obligations toward the Clearing House and they shall, for all intents and purposes, be deemed an integral part thereof, and they shall be paid by the member to the Clearing House – immediately and without any delay – as specified in Chapter Six of Part Two of the By-laws, except when the Clearing House decided that the payments be made in some other manner, in which case the payment shall be made in the other manner, all as will be decided by the Clearing House.
- 2) The provisions of the above subsection a.1) shall not derogate from the member's obligation to pay to the Clearing House all the amounts that derive from debits made in its monetary account under the By-laws.

- b. The Clearing House and the Stock Exchange and also those who act on their behalf – that is their officers, managers and employees (all those shall hereafter in this section be called "those who act on behalf of the Clearing House") – shall be exempt of and shall not bear any responsibility or liability for any loss, damage, expense or deficit of any sort and kind whatsoever (hereafter in this section: "damage") that are liable to be caused to any person or to any entity, including – but without derogating from the generality of the aforesaid – such as are liable to be caused a member because of any action, act or omission of any kind whatsoever (except when committed with malice) by the Clearing House, by the Stock Exchange or by any of those who act on behalf of the Clearing House in connection with the purchase of the missing quantity and with any other thing or matter that is connected to this Chapter.
- c. A member who did not comply with any of the provisions of this Chapter (hereafter: "member in violation") shall indemnify and compensate the Clearing House and each member of the Clearing House in respect of all the obligations, expenses and damage – direct or indirect – that are caused to any of them in connection with a pending transaction or a failed transaction, including – but without derogating from the generality of the aforesaid – in connection with a lack of securities or lack of monetary cover that derives from the transactions or from the acts that were carried out by the member in violation or in connection thereto.

CHAPTER SIX- MONETARY CLEARING

1. (a) Without derogating from any other provision in the By-laws, a member must pay to the Clearing House all the amounts connected to or derived from all the transactions and acts that were performed by him, whether within the framework of the members nostro activity or within the framework of the member's activity for its clients.
- (b) Without derogating from the conditions and the provisions prescribed in the By-laws, monetary debits and credits that derive from acts performed in the Clearing House (hereafter: "monetary clearing") shall be carried out as specified in this Chapter.
2. a. For the performance of monetary clearing, the Clearing House is connected to a payments system – within the meaning of that term in the System Rules – known as RTGS.

The orders of the Clearing House to debit / credit the monetary accounts shall be transferred for implementation in RTGS. The acts of the Clearing House in RTGS are subject to the System Rules that apply to it.

- b. The Clearing House shall extend monetary clearing services to member banks that participate in the RTGS System and have monetary accounts, and also to NBMs who contracted with a member for monetary clearing.

Monetary clearing of a NCHM shall be carried out by crediting / debiting the monetary clearing member, with whom the NCHM contracted.

- c. Members who participate in the System hereby authorize the Clearing House to perform in their place all the monetary credit and debits, which stem from their activity in the Clearing House, as well as from the activities of the NBMs for whom they perform monetary clearing, in their monetary accounts through the System, in accordance with the System Rules and according to what is specified in the By-laws.
- d. 1) If a member's activity on the System was interrupted, because his use of the System was blocked because it was pending from activity on the System or because it was expelled from the System, the member shall immediately inform the Clearing House thereof by a message to be delivered by facsimile and confirmed by a telephone call to the Manager of the Clearing House.

If the Clearing House learned that a member's activity on the System was interrupted as aforesaid, then a 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") shall order an immediate temporary interruption in the provision of Clearing House services to the member, and the provisions of Chapter Two in Part One of the By-laws shall apply to the temporary interruption in the provision of Clearing House services.

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- 2) If a member that is a bank intends to cancel its participation in the RTGS System at its own initiative, it shall so inform the Clearing House in writing thirty days before the date on which the member wishes the cancellation of its participation to go into effect, and the provisions of Chapter Two in Part One of the By-laws shall apply to the suspension and the cancellation of membership.
 - 3) If the Committee decided on a temporary interruption in the provision of Clearing House services to a member who performs monetary clearing for others, or if the contract of a NCHM with the member who performs monetary clearing for it was cancelled and it did not contract with another member to perform monetary clearing, then the Committee may order that the provision of Clearing House services to the NCHM be immediately interrupted temporarily, and the provisions of Chapter Two in Part One of the By-laws shall apply to the temporary interruption in the provision of Clearing House services
3. Monetary clearing of the transactions and acts specified below shall be carried out on every business day:
- a. transactions that were carried out during the preceding trading day, including transactions carried out on the MTS system and the fees in their respect, exclusive of Repo transactions;
 - b. the first leg of Repo transactions (other than overnight transactions) that the Clearing House received on the preceding clearing day;
 - c. the first leg of overnight transactions that the Clearing House received on that day;
 - d. the second leg of Repo transactions for which that day is the date of execution;
 - e. acts to the credit and debit of the Clearing House transit account, as defined in Chapter Five of this Part of the By-Laws;
 - f. payments of dividends, interest, linkage differentials and capital redemptions;
 - g. the exercise of rights;
 - h. the exercise of warrants;
 - i. credits / debits in respect of the creation and redemption of mutual fund units, carried out on the preceding trading day;
 - j. credits / debits in respect of other services that the Clearing House or the Stock Exchange provide for their members;
 - k. any other act, which the Manager of the Clearing House will prescribe.

4. a. On each business day there will be three multilateral clearing windows, as specified below:
- 1) a multilateral clearing window between 8:50 and 9:15 AM;
 - 2) a multilateral clearing window between 3:45 and 4:00 PM;
 - 3) a multilateral clearing window between 5:45 and 6:00 PM.

However –

on Fridays and holiday eves there shall be only two multilateral clearing windows, as specified below:

- 1) a multilateral clearing window between 8:50 and 9:15 AM;
- 2) a multilateral clearing window between 12:30 and 12:45 PM.

During the intermediate days of Succot and the intermediate days of Passover there shall be only two multilateral clearing windows, as specified below:

- 1) a multilateral clearing window between 8:50 and 9:15 AM;
- 2) a multilateral clearing window between 1:45 and 2:00 PM;

- b. The Manager of the Clearing House may apply to the Bank of Israel that it postpone the opening time or the closing time of any multilateral clearing window, or that it open an additional multilateral clearing window ("emergency window").
5. a. About fifteen minutes before the opening of any multilateral clearing window the Clearing House shall send to the System the multilateral monetary payment orders that stem from acts carried out on the Clearing House until that time. Multilateral payment orders shall be sent to the System by the Clearing House in the order of precedence, which the Manager of the Clearing House shall prescribe from time to time.
- b. 1) If the Clearing House received notification from the System that a multilateral payment order cannot be carried out, then the Manager of the Clearing House may transmit a corrected multilateral payment order to the System in place of the multilateral payment order that was rejected by the System. As part of the correction of the said order the Clearing House may, inter alia, cancel acts, the cancellation of which will make it possible to carry out the corrected multilateral payment order on the System.

The Manager of the Clearing House may also supplement the amount necessary in order to complete clearing out of the means of the Clearing House, and that until the collateral is realized by the Clearing House, as prescribed in section 6 of Chapter Three "A" in Part One of the By-laws, on condition that that amount not be greater than the share in the risk fund of the member, whose failure to meet his monetary obligation made it impossible to perform clearing.

Without derogating from the provisions of Chapters Five and Seven of Part Two of the By-laws, the Committee may decide to supplement the amount that is required for the clearing, even if in consequence thereof a transaction or act is cleared for the performance of which the Clearing House is not responsible, as specified in Chapter Seven of Part Two of the By-laws.

Without derogating from the provisions of Chapters Seven and Eight of Part Two of the By-laws, the Committee may decide to supplement the amount that is required for the clearing, even if in consequence thereof a transaction or act is cleared for the performance of which the Clearing House is not responsible, as specified in Chapter Seven of Part Two of the By-laws, and in this case the provisions of section 1. of Chapter Eight of Part Two of the By-laws shall apply, mutatis mutandis.

It is hereby clearly stated that supplementing the clearance out of the means of the Clearing House does not derogate from any right whatsoever that the Clearing House has under the By-laws, including the right to realize the collateral that the member in violation provided, as well as the right to realize the collateral that another member provided, and that until all obligations toward the Clearing House under the By-laws by the member in violation have been paid

- 2) Without derogating from the aforesaid, the Committee may order that the provision of Clearing House services be immediately interrupted temporarily to the member, which did not meet its monetary obligation until the time set above in section 4.a. above for closing the multilateral clearing window, because of which the multilateral payment order could not be carried out, and the provisions of Chapter Two in Part One of the By-laws shall apply to the temporary interruption in the provision of Clearing House services.
6. a. Bilateral payment orders shall be sent to the System by the Clearing House until 6:00 PM on each business day; however, on Fridays and holiday eves bilateral payment orders shall be sent to the System by the Clearing House until 11:30 AM.
 - b. 1) The latest time for clearing a bilateral payment order shall be two hours after it was received by the System, but not later than 6:00 PM on Sundays through Thursdays, and nor later than 11:30 AM on Fridays and holiday eves (hereafter: "latest time for clearing").

- 2) If there is no sufficient monetary balance in the monetary account of the member whose account is to be debited, then the bilateral payment order to be performed in the member's account with the System shall wait until the latest time for its performance.
 - 3) If the bilateral payment order was not cleared until the latest time for clearing, then the order shall be cancelled by the System, and the Clearing House shall cancel the act from which the bilateral payment order stemmed.
7. Clearance of multilateral payment orders and clearance of bilateral payment orders shall be final and shall not be liable to cancellation after their clearance was completed according to the System Rules.
8. a. Every NCHM shall have only one member who performs monetary clearing for him.
- b. 1) A member who performs monetary clearing for another is responsible toward the Clearing House in respect of the NCHM's obligations, up to the debit ceiling.

The debit ceiling shall not be less than the minimum debit ceiling.

For this purpose:

"minimum debit ceiling" – an amount equal to NIS 5 million, or an amount equal to the highest daily net balance debited against the NCHM during the last quarter, which ended before the date of the clearing, with the ten business days on which the net daily balance debited against the NCHM was the greatest in the said quarter not being taken into account, whichever is the greater amount, provided that it does not exceed the amount of NIS 125 million.

The calculation of the minimum debit ceiling of each NCHM shall be carried out by the Clearing House at the end of each quarter, and it shall go into effect on the 15th of the month in each of the following months: May, August, November and February.

- 2) Before a NCHM begins to operate, it shall deliver a writ of authorization from the member that performs monetary clearing for it to the Clearing House, as formulated in Appendix Fourteen "A" (hereafter: "writ of authorization"), in which the debit ceiling shall be stated.
- 3) If the updated minimum debit ceiling is greater than the amount of debit ceiling set in respect of the preceding quarter, then the NCHM shall – up to the first clearing day of the month after the month that followed the quarter – deliver a new and updated writ of authorization from the member who performs monetary clearing for it

- 4) If an NCHM produced a writ of authorization, then its monetary debit balances that stem from multilateral clearing shall be debited to the account of the member who performs monetary clearing for it, and that up to the debit ceiling.

If the NCHM did not produce a writ of authorization until the time set therefor, or if the NCHM delivered a writ of authorization in an amount smaller than the minimum debit ceiling, the Committee may order that the provision of Clearing House services to the NCHM be immediately interrupted temporarily, and the provisions of Chapter Two in Part One of the By-laws shall apply to the temporary interruption in the provision of Clearing House services.

- c. 1) A member who performs monetary clearing for others may at any time increase the debit ceiling and an up-dating writ of authorization shall be in effect after its receipt by the Clearing House.
- 2) A member who performs monetary clearing for others may at decrease the debit ceiling up to 45 minutes before the time for opening a multilateral clearing window

The up-dated writ of authorization shall be in effect from its receipt by the Clearing House; however if the writ of authorization was received 45 minutes or less before the time for opening a multilateral clearing window, then it will be taken to have been received by the Clearing House after the multilateral clearing window was closed, and the member who performs monetary clearing will continue to be obligated toward the Clearing House in respect of the NCHM's debits up to the debit ceiling before the up-dating, and that until after the said multilateral clearing window is closed and after clearing in that multilateral clearing window has been carried out.

In any case, the reduction shall not apply to the amounts that already were debited to the monetary account of the member who performs monetary clearing for the NCHM's debits up to the receipt of the updated writ of authorization by the Clearing House.

Reducing the ceiling to less than the minimum debit ceiling shall be taken to be a notification of the end of the contract between the NCHM and the member who performs monetary clearing for it, as specified in section 9 below.

An increase or a decrease of the debit ceiling shall be performed by delivering an up-dated writ of authorization to the Clearing House, as formulated in Appendix Fourteen "A", and which shall replace the previous writ of authorization and take its place.

- d. If, in consequence of clearing a multilateral payment order, the monetary debit balance of a NCHM is liable to exceed the debit ceiling, then the NCHM shall – up to 20 minutes before the time set in section 4.a. above as the time for opening the multilateral clearing window, within which the multilateral payment order is to be cleared – deliver to the Clearing House an authorization to debit the amount of the differential between the debit ceiling and the total monetary debit balance against the monetary account of the member who performs monetary clearing for it. The said authorization shall be formulated as said in Appendix Fourteen "B".

If the NCHM did not deliver the aforesaid authorization up to 20 minutes before the time set in section 4.a. above as the time for opening the multilateral clearing window, the Committee may order an immediate temporary interruption in the provision of clearing services to the member, and the provisions of Chapter Two in Part One of the By-laws shall apply to the temporary interruption in the provision of clearing services.

- e. Before each multilateral clearing window the Clearing House shall calculate – and report to the NCHM and to the member that performs monetary clearing for it – the net balance by which the member who performs monetary clearing is expected to be debited / credited in respect of the NCHM's activity.

The actual debit is liable to differ from the report the Clearing House will deliver as aforesaid, and that in case one or more of the multilateral payment orders are rejected by the System for any reason whatsoever.

- f. For every monetary debit balance that stems from bilateral clearing by a NCHM, the NCHM shall deliver an authorization from the member that performs monetary clearing for it, to debit the monetary account of the member that performs the monetary clearing in the amount of the monetary debit balance that stems from clearing the bilateral payment order. A said authorization shall be as formulated in Appendix Fourteen "C".

Delivery of the aforesaid authorization to the Clearing House is a condition for the Clearing House sending the bilateral clearing order to be performed by the System.

If an aforesaid authorization was not received until the last time for send bilateral payment orders, as said in section 6 above, then clearing of the bilateral payment order will not be carried and the act from which the debit balance stems will be cancelled.

The member that performs monetary clearing for others is responsible to the Clearing House for every debit that stems from an authorization that he gave as aforesaid.

9. If a member that performs monetary clearing for others wishes to cease being a member who performs monetary clearing for a NCHM, it shall so inform the Clearing House by a notice delivered by facsimile, its receipt by the Clearing House confirmed by a telephone call to the Manager of the Clearing House, or in his absence to the General Manager of the Stock Exchange. When the said notice has been given as aforesaid to the Manager of the Clearing House, the member shall cease to be the member who performs monetary clearing for the NCHM.

Notwithstanding the aforesaid, if the said notice was delivered 45 minutes or less before the time for opening a multilateral clearing window, then it shall be deemed to have been received by the Clearing House only when that multilateral clearing window is closed and the member who performs monetary clearing will continue to be responsible to the Clearing House for the debits of the NCHM up to the debit ceiling, up to the time for closing the said multilateral clearing window and the performance of clearing in that multilateral clearing window.

When a said notice has been given and the NCHM has not contracted with another member for monetary clearing, the Committee may order an immediate temporary interruption in the provision of Clearing House services to the NCHM, and the provisions of Chapter Two in Part One of the By-laws shall apply to the temporary interruption in the provision of Clearing House services.

10. If a member did not cover a monetary debit balance that stems from the clearing of multilateral payment orders up to the time when he should have done so according to the provisions of this Chapter of the By-laws, then the Clearing House shall – without derogating from any other authority vested in it under the By-laws – debit the amount of NIS 3,000 against the member for each delay.
11. Notwithstanding the above provisions, monetary clearing in terms of dollars shall not be carried out through the RTGS System, but as specified in this section:
- a. a member that is a bank shall keep a monetary account with the Bank of Israel for clearing in dollars. Clearing in dollars of a member that is a bank shall be carried out by the Clearing House by crediting or debiting that monetary account on the business day that the Clearing House designated as the determining day for monetary clearing in dollars (hereafter: "dollar clearing day");
 - b. clearing in dollars for a NCHM shall be carried out on the dollar clearing day by debiting or crediting the monetary account of the member who performs clearing for it;
 - c. on each business day the Clearing House shall submit to the Bank of Israel the documents related to dollar clearing on that day, and it shall accordingly debit or credit the monetary accounts of the members that are banks.
 - d. 1) A member that performs monetary clearing is responsible to the Clearing House for the dollar debits of the NCHM, up to the ceiling for dollar debits;

The ceiling for dollar debits shall not be less than \$ 50,000 (hereafter: "the minimum ceiling for dollar debits");

- 2) Before a NCHM begins activity the NCHM shall submit a writ of authorization from the member that performs monetary clearing for it, formulated as said in the attached Appendix Fourteen "A1", in which the ceiling for dollar debits shall be stated (hereafter: "dollar authorization").
- (3) When the NCHM has delivered a dollar authorization, its monetary debit balances that derive from dollar clearing shall be debited against the account of the member that performs monetary clearing for it, and that up to the ceiling for dollar debits;

if the NCHM did not deliver a dollar authorization up to the time set therefor or if the NCHM delivered a dollar authorization in an amount smaller than the minimum ceiling for dollar debits, the Committee may order an immediate temporary interruption in the provision of Clearing House services to the NCHM and the provisions of Chapter Two in Part One of the By-laws on temporary interruptions in the provision of Clearing House services shall apply.

- e. 1) A member that performs monetary clearing may at any time increase the ceiling for dollar clearing and the up-dated dollar authorization shall be in effect as of the time when it was received by the Clearing House.
- 2) A member that performs monetary clearing may reduce the ceiling for dollar clearing on any clearing day until 8:45 AM.

The up-dated dollar authorization shall be in effect from the time when it was received by the Clearing House, but if the up-dated dollar authorization was received by the Clearing House after 8:45 AM, it shall be deemed to have been received by the Clearing House on the next clearing day and the member that performs monetary clearing shall continue to be responsible to the Clearing House for the debits of the NCHM up to the dollar ceiling amount that was in effect before the up-date, and that until the next clearing day.

In any case, the reduction shall not affect the amounts that already have been debited against the monetary account of the member that performs monetary clearing for the debits of the NCHM up to when the up-dated dollar authorization is received by the Clearing House.

A reduction of the ceiling for dollar debits to less than the minimum ceiling for dollar debits shall be treated like a notice that the contract between the NCHM and the member that performs monetary clearing for it has been canceled, as specified in the above section 9.

An increase or reduction of the ceiling for dollar debits shall be made by delivering to the Clearing House an up-dated written dollar authorization, as formulated in the attached Appendix Fourteen "A1", which shall replace the previous writ of dollar authorization.

- f. If, in consequence of monetary dollar clearing, the monetary balance of dollar debits of the NCHM is expected to exceed the ceiling for dollar debits, the NCHM shall deliver to the Clearing House up to 9:30 AM an authorization to debit the monetary account of the member that performs monetary clearing in the amount of the differential between the ceiling for dollar debits and the total balance of dollar debits; the said authorization shall be formulated as said in the attached Appendix Fourteen "E".

If a said authorization was received by the Clearing House from the member that performs monetary clearing, the monetary dollar debit balances of the NCHM on the clearing day shall be debited against the monetary account of the member that performs clearing for it.

- g. If the NCHM did not deliver a said authorization up to 9:30 AM on any day for dollar clearing, the Committee may order an immediate temporary interruption in the provision of Clearing House services to the member and the provisions of Chapter Two in Part One of the By-laws on temporary interruptions in the provision of Clearing House services shall apply.
- h. Dollar clearing in respect of the acts of a NCHM that are cleared by separate clearing shall be performed at the same time as the clearing of securities, as specified below:

The member that performs monetary clearing for the NCHM shall, within 45 minutes after the NCHM received notice from the Clearing House of the amount debited against it by separate clearing, give the Clearing House an authorization formulated according to Appendix Fourteen "D" and the Clearing House shall debit the monetary account of the member that performs monetary clearing for the NCHM.

If a said authorization was not received by the Clearing House, the Committee may order an immediate temporary interruption in the provision of Clearing House services to the NCHM and the provisions of Chapter Two in Part One of the By-laws on temporary interruptions in the provision of Clearing House services shall apply.

- i. Dollar clearing in respect of the acts of a member that is a bank, which are cleared by separate clearing, shall be performed at the same time as the securities clearing by means of an immediate debit against its monetary account.
- j. If a member does not cover a monetary debit balance until the date when he should have done so according to the above provisions of this section, the Clearing House shall debit the amount of NIS 3,000 for every day of delay against the member's monetary account, without derogating from any other authority vested in it under the By-laws.
12. a. The Clearing House shall produce clearing sheets in a format to be decided by it. The clearing sheets shall include details that will be determined from time to time by the Manager of the Clearing House. Separate clearing sheets shall be produced for each sub-account.

- b. 1) The activities of NCHM's that are not carried in a separate sub-account shall be specified on the clearing sheets of the members that clear for them. The details shall include both to of securities and monetary consideration. Furthermore the Clearing House shall produce for each NCHM an overall clearing report, which includes the particulars of the transactions and acts performed by the NCHM. The report shall include particulars prescribed from time to time by the Manager of the Clearing House.
- 2) The monetary acts of the NCHM shall be specified on its monetary clearing sheet, and in addition the summary of the monetary acts shall be stated (in a single amount) on the monetary clearing sheet of the member who performs monetary clearing.
- c. Immediately before monetary clearing is carried out (of multilateral payment orders / bilateral payment orders) the Clearing House shall make the members' monetary clearing sheets available to the members, which include the monetary acts that will be cleared for them during that monetary clearing. The clearing sheets shall become final and absolute after monetary clearing has been carried out in accordance with the System Rules.

CHAPTER SEVEN- RESPONSIBILITY OF THE CLEARING HOUSE
FOR THE EXECUTION OF TRANSACTIONS OR ACTS

1. a. 1) If a member sold securities in a Stock Exchange transaction or if he undertook to transfer securities in a custody transfer (on Exchange) and he transferred the said securities to the Clearing House as required by the By-laws, the Clearing House shall credit the amount of consideration for the said securities to the selling or transferring member, as the case may be, according to the rules and conditions prescribed in the By-laws, and that even if the full consideration for the securities was not received by the Clearing House.
- 2) A member who sold securities in a transaction on the Stock Exchange or if he undertook to transfer securities in a custody transfer (on Exchange) shall not be entitled to the consideration received for their sale or transfer, as the case may be, unless he transferred the securities that he sold or that he undertook to transfer, as aforesaid, to the Clearing House.
- b. 1) If a member bought securities in a Stock Exchange transaction or if he was the transferee in a custody transfer (on Exchange) and he transferred the full consideration for them to the Clearing House as required by the By-laws, the Clearing House shall act to transfer to the buying or transferee member, as the case may be, the securities that he bought or that he is entitled to receive, as the case may be, or the consideration for them, all according to the rules and conditions prescribed in the By-laws, and that even if the selling member or the transferor member, as the case may be, did not transfer the securities that he sold or undertook to transfer as aforesaid.

It is hereby clearly stated that the aforesaid responsibility of the Clearing House shall not apply to rights attached to securities, such as interest, interest in kind, dividends, dividends in kind, bonus shares and anything connected thereto.

- 2) A member who bought securities in a Stock Exchange transaction or was the transferee in a custody transfer (on Exchange), as the case may be, is not entitled to the securities, except if the full consideration for them was received by the Clearing House. If the full consideration for them was not received by the Clearing House, ownership of the securities shall be vested in the Clearing House and the member shall not have any right to them; in this context the provisions of section 34 of the Sale Law 5728-1968 shall apply to the Clearing House and it shall be deemed to have acquired the securities from whoever engages in the sale of assets of the category of the sold object and the sale shall be deemed to have been in the ordinary course of its business.
2. a. A request to clear a transaction that is not a Stock Exchange transaction or to clear an act that is not custody transfer (on Exchange) shall not be carried out at all and shall be returned to the member who asked that it be carried out, if the full consideration for the transaction has not been paid in full.
- b. A request to clear a transaction that is not a Stock Exchange transaction or to clear

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an act that is not custody transfer (on Exchange) shall not be carried out at all and shall be returned to the member who wants to sell or to transfer the securities, if the actual balance of the quantity of securities in the subaccount to which the transaction relates does not suffice in order to clear the transaction.

3. The aforesaid in the above sections 1 and 2 shall not derogate from a member's obligations, as specified below:
 - a. to pay the Clearing House all the amounts connected to or deriving from all the transactions and acts carried out by him, whether as part of the member's nostro activity or as part of the member's activity for his clients;
 - b. to ascertain that, at the time when a transaction or an act carried out by him is being cleared – whether as part of his nostro activity or as part of his activity for his clients – an actual balance of securities sufficient for clearing the transaction or the act, as the case may be, is in the subaccount to which the transaction or the act relates.
4. A member who violated any of his obligations that are specified in section 3 above (hereafter: "member in violation") shall indemnify and compensate the Clearing House and each member of the Clearing House in respect of the obligations, expenses and direct or indirect damage caused to any of them, including – but without derogating from the generality of the aforesaid – in connection with any securities shortfall or lack of monetary cover that stem from or are connected to the transactions or acts carried out by the member in violation.
5. The aforesaid shall not derogate from or infringe on any right that the Clearing House has under any statute, agreement or these By-laws, including – but without derogating from the generality of the aforesaid – on the rights of the Clearing House under Chapters Three and Three "A" in Part One of these By-laws.

CHAPTER EIGHT- REPEALED

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CHAPTER NINE-EXERCISE OF RIGHTS
ATTACHED TO SECURITIES

1. **General**

- a. All rights in respect of securities registered with the nominee company to the credit of the Clearing House shall be cleared through the Clearing House, as specified below in this Chapter.

The Clearing House shall credit any right whatsoever to a member in accordance with actual balance registered with the Clearing House to his credit on the record date.

A member credited with any right by the Clearing House shall transmit the right to the client who is entitled to it.

- b. Beginning with the first business day after the record date for receiving any right whatsoever, the deposits and the withdrawals from and to the nominee company shall be carried out with entitlement to the right no longer attached to the security.
- c. Repealed.
- d. On the day on which a right attached to a security is exercised, the Clearing House shall make reports available to the members, specifying the movement in the members' accounts that stem from the exercise of the rights.
- e. If on the record date for receiving any right in respect of a security there is a pending transaction or a failed transaction, then – if the Clearing House provided a claim service in respect of the said right, the Clearing House shall act to provide a claim service, as specified in Chapter Five in this Part of the By-laws.

2. **Performance of payments**

The following provisions shall apply to payments made under this Chapter:

- a. the Clearing House has the right to postpone the payment day if – because of technical reasons – it is not possible to perform the credit / debit on the payment day.
- b. 1) The issuer must credit the amount of the payment to the account of the nominee company in the coordinating bank no later than at 9:30 AM on the payment day;
- notwithstanding the aforesaid, if payment is carried out in a foreign currency, then the issuer must credit the account of the nominee company in the coordinating bank no later than two business days before the payment day;
- 2) if the issuer did not comply with his aforesaid obligation, then the nominee company shall so inform the Manager of the Clearing House no later than at 11:00 AM on the payment day.

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In the said case, the Clearing House shall not make the payments and it shall give notice thereof to the members;

- 3) notwithstanding the aforesaid, if the Clearing House receives notification from the nominee company by 12:00 noon of the payment day, that the issuer deposited the money for performance of the payment in the nominee company's account in the coordinating bank, and subject to the payment day being a business day the Clearing House may make the payment already on that day; if the Clearing House has made the payment on the payment day as aforesaid, it shall so inform the members; if the Clearing House did not make the payment on the payment day, as aforesaid, the payment shall be made on the first business day thereafter.
- c. Payments in foreign currency shall be made only in currencies, in respect of which permission to perform the clearing was received from the Bank of Israel.

3. **Conditional crediting of securities allocations**

- a. The competent organs of the issuer shall adopt – not later than one day before the record date in respect of a corporate event in consequence of which securities will be allocated – a decision, according to which the securities are allocated to all persons who will be entitled to them according to the issuer's registers on the record date; the date of the allocation shall be as is specified in the By-laws; a decision in relation to rights shall also relate to the allocation of the securities that stem from the exercise of those rights, to the extent that they are actually exercised.
- b. No later than one trading day before the date of the allocation of the securities, the issuer shall deliver the following documents to the nominee company:
 - 1) if the issued security is a share or debenture – a securities certificate that certifies the number and category of securities registered in the name of the nominee company in the issuer's register of securities holders in accordance with the decision said in subsection a. (hereafter: "certificate"); in all other cases – a letter of allocation that certifies the number and category of securities registered in the name of the nominee company in the issuer's register of securities holders in accordance with the decision said in subsection a. above (hereafter: "letter of allocation");
 - 2) an accompanying document, as formulated in Appendix Five of the By-laws, as well as an advocate's certification, as formulated in Appendix Five "A" of the By-laws;

- 3)* a copy of the immediate report about the change in the register of securities holders, which was submitted to the Securities Authority through MAGNA (*Hebrew acronym of "electronic fair disclosure system", the Securities Authority's electronic reporting system – Ed.*);
 - 4) a true copy of the original of the up-to-date register of securities holders, in which the securities allocated in the name of the nominee company have been registered;
 - 5) in the case of a rights issue – a copy of the certification by the Stock Exchange, that the securities' were listed.
- c. The entries in the nominee company, in the Clearing House and in the members' accounts said in sections 5, 6 and 7 below (all together hereafter: the "entries") shall be conditional, until they become final and absolute or until they are canceled, as specified in subsection d. below.
- d. 1) The nominee company shall check whether the documents delivered to it as specified in subsection b. above are prima facie in order. It shall also check whether the certificate or the letter of allocation, as the case may be, is consistent with the records. If the nominee company finds that the certificate or the letter of allocation, as the case may be, is consistent with the records, then it shall give a certification to the Clearing House, formulated as shown in Appendix Five "B" of the By-laws.
- If all the documents specified in subsection b. above were not received by the nominee company, or if the nominee company finds that the documents are not prima facie in order or that there are discrepancies, then it shall not give the Clearing House the aforesaid certification.
- When the Clearing House receives the aforesaid notice, the entries shall become final and absolute.
- 2) If the nominee company found that there is a discrepancy between the certificate and the letter of allocation, as the case may be, and the records, then it shall give notice thereof to the Clearing House without delay. If the Clearing House received a said notice, then it shall make the necessary adjustments and inform the members about them.
When the necessary adjustments have been made and after the nominee company has given the certification said in subsection 1) above to the Clearing House, the entries shall become final and absolute.
 - 3) If the nominee company did not give the certification said in subsection 1) to the Clearing House until the end of three trading days after the date of the allocation, then the Clearing House shall cancel the entries and so inform the members.
- e. Exchange members shall not permit their clients to sell securities, in respect of which the entries are conditional.

* at this stage it is not necessary to obtain a said copy from double entry companies that report under Chapter Five "C" of the Securities Law

4. **Cash dividends and interest**

- a. Notice of the payment of a cash dividend and of the "record" date for payment by a company that has no convertible securities listed for trading shall be received at the Exchange at least five days before the record date.
- b. Notice of the payment of a cash dividend and of the "record" date for payment by a company that does have convertible securities listed for trading shall be received at the Exchange at least eight days before the record date.
- c. If a company distributes a cash dividend, then it shall give notice of the rate of the dividend per share at least two days before the day of payment.
- d. On the day on which a dividend or interest is paid in cash, the Clearing House shall debit the account of the nominee company at the coordinating bank in the amount of payment due according to the quantity registered to the credit of the Clearing House at the nominee company on the record date, less the amounts that stem from notices that waived receiving the payment through the Clearing House.

In the cases in which the deduction at the source is made by the issuer, the Clearing House shall debit the Registration Company's account at the coordinating bank for the amount of the payment that is due according to the quantity to the credit of the Clearing House with the Registration Company on the determining day, less the amounts derived from notices that waived receipt of the payment through the Clearing House, less amounts deducted at the source by the issuer and with the addition of amounts derived from certifications of exemption from tax deduction at the source.

This amount payable shall be divided between the members, so that each member entitled to payment is credited by the Clearing House with a payment in accordance with the actual balance of the security registered to its credit at the Clearing House on the record date and in respect of which it is entitled to payment; the payment shall be made separately for each type of currency.

- e. The Clearing House shall submit credit / debit notices to the Bank of Israel, in a manner to be prescribed by the General Manager of the Clearing House from time to time, and those shall be entered on the day of payment to the credit of the members and to the debit of the coordinating banks' accounts at the Bank of Israel.
- f. The date for payment of a cash dividend shall be as follows:
 - 1) A dividend, in respect of which tax is deducted by the issuer, shall be paid between the twelfth day and the eighteenth day after the determining date for the dividend.
 - 2) A dividend, in respect of which tax deduction is not handled by the issuer, shall be paid between the fifth trading day after the determining day for the payment and the eighteenth day after the determining day of the payment.

- g. The date for the payment of interest on Government bonds shall be on the fifth day after the determining date for the payment, except if differently provided in the conditions of the Government bond or if the Board of Directors prescribed differently.

4A. **Tax deduction at the source from the securities of companies, to which U.S. tax laws apply and which are deposited with a nominee company in Israel**

- 1) The provisions of this section shall apply to the securities of a company, to which the tax laws of the United States apply (hereafter in this section: "U.S. securities").

The Clearing House shall provide the services specified below only to members who are qualified intermediaries (QI), according to certification from the U.S. tax authorities (IRS), and who delivered to the Clearing House a declaration, as formulated in Appendix Twenty-Seven, with its attachments.

In the declaration the member shall undertake, inter alia, to inform the Clearing House of any change that will occur in his status as an QI.

- 2) Members shall deliver to the Clearing House all the information and documents required by tax authorities in the United States in connection with the services that are extended to the members through the Clearing House.
- 3) The services extended by the Clearing House to a non-withholding QI in connection with U.S. securities shall only be for clients who are not U.S. citizens and not U.S. residents, and who are not subject to the provisions of the FATCA, insofar as they relate to tax deduction at source

A said member shall sign an undertaking, as formulated in Appendix Twenty-eight.

- 4) a. The issuing company shall bear the responsibility for deduction of the required amounts and for reporting to the IRS in accordance with U.S. tax laws.
- b. As a condition for listing U.S. securities with the Clearing House, the company that issues the U.S. securities shall deliver to the Clearing House a writ of indemnification, as formulated in Appendix Twenty-eight "A".
- 5) The Clearing House shall transmit Form W8-IMY to the nominee company, with which U.S. securities are deposited, as is required by the Clearing House being a QI.
- 6) No later than five business days before each payment date of the company, each member to whose credit U.S. securities are listed with the Clearing House on the determining day shall deliver a withholding statement, which includes the rates at which tax must be deducted in respect of the total actual balance registered to his credit on the determining day, in accordance with the U.S. tax liability that applies to his clients, as formulated in the attached Appendix Twenty-eight "B"

- 7) The Clearing House shall transmit to the company, through the nominee company, a summary of the rates at which tax must be deducted in respect of the entire quantity registered with the Clearing House to the credit of all the members, as formulated in the attached Appendix Twenty-eight "C"
- 8)
 - a. The payment shall be made by the company, as said in Chapter Nine of Part Two of the By-laws, less the amount that the company must deduct in accordance with the information specified in the notice of the Clearing House said in subsection 7) above. The company shall transfer this amount to the IRS.
 - b. No later than 12:00 noon of the last trading day before the day of payment, the company shall deliver to the Clearing House – through the nominee company – a declaration, as formulated in the attached Appendix Twenty-eight "D".
 - c. The Clearing House shall make the payment only after it concluded that the particulars in the declaration are in agreement with the calculations made by the Clearing House according to the data that it transmitted to the company, as said in subsection 7) above. If the declaration was not received by the Clearing House, or if the Clearing House found that the particulars in the declaration are not in agreement with the calculations made by the Clearing House, then the Clearing House shall not make the payment and it shall so inform the nominee company and the members.
- 9) Until January 15 of each year the company shall transmit Forms 1042S for the preceding year to the Clearing House, as specified below:
 - a. One Form 1042S for all withholding QI's;
 - b. one Form 1042S for each tax rate, to which members who are non-withholding QI's are liable.

5. **Bonus shares**

- a. Notice of the distribution of bonus shares and of the record date for the distribution shall be received at the Exchange at least five trading days before the record date.
- b. On the date of the allocation, the nominee company shall credit the Clearing House through the coordinating bank with the quantity of shares due according to the quantity registered to the credit of the Clearing House in the nominee company's account at the coordinating bank on the record date, less the quantity for which notices had been submitted, which waived receipt of the bonus shares through the Clearing House.

The quantity of bonus shares credited to the Clearing House shall be divided between the members' accounts, so that every member entitled to bonus shares is credited by the Clearing House with a quantity of bonus shares in accordance with the actual balance of the security that was registered to its credit at the Clearing House on the record date.

The entries shall be conditional, as specified in section 3.c. above.

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- c. The date of the allocation of bonus shares shall be on business day after the record date.

6. Other corporate events, (such as mergers, splits, capital amalgamations and capital reductions)

- a. The acts connected to corporate events, for which no special provisions are prescribed in this Chapter, shall be carried out as specified in section 5. above, mutatis mutandis.
- b. Unless otherwise prescribed, the time for an allocation of shares that derives from a corporate event shall be on the business day after the record date.
- c. Notwithstanding the provisions of the above subsection b., in the event of a company split in which –
 - 1) a condition for the registration of the new split company is the issue of additional shares by a public issue or by way of rights, the date for the share allocation shall not be later than thirty days after the record date;
 - 2) all or some of the share holders in the split company are liable to tax, the date for the share allocation shall be between the twelfth and the eighteenth day after the record date.

7. Rights

- a.
 - 1) Letters of rights shall be deposited to the credit of the nominee company's account in the coordinating bank after the record date, but not later than one trading day before the day on which the rights are traded.
 - 2) On the day after the record date the nominee company shall credit the Clearing House through the coordinating bank with the quantity of rights due to it on the basis of the quantity registered to its credit at the nominee company on the record date, less the quantity in respect of which waivers to receive the rights through the Clearing House were submitted; the quantity of rights, which were credited to the Clearing House, shall be divided among the members' accounts, so that each member entitled to rights is credited by the Clearing House with the quantity of rights according to the actual balance of securities entitled to the rights, which were registered to its credit at the Clearing House on the record date.
 - 3) A member shall not be able to withdraw rights from its securities account at the Clearing House, but it may sell them or transfer them to another member or to one of its other subaccounts with the Clearing House.
- b. On the record date each Exchange member shall send notices to the clients entered on its books for the rights on the record date. In the notice the member shall specify the ways of action available to the client in respect of the rights registered to his credit –
 - 1) to exercise the rights;

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- 2) to sell the rights;
- 3) not to exercise and not to sell the rights.

In its notice the Exchange member shall state that, if no instructions are received from the client until the last date set by it, then the Exchange member will sell the rights on the day on which they are traded.

c. If a company informed the Stock Exchange that it offers securities by way of rights in accordance with the Securities Regulations (Manner of Offering Securities) (Amendment) 5768-2008 (hereafter: "the Regulations") in a way in which the rights will not be offered to foreign holders, then the provisions below in this subsection shall apply, instead of the provisions of subsection 7.b. above:

1) The Exchange member shall send a notice to the clients that on the record date are recorded on its books for the rights, in which it shall inform them that – in accordance with the prospectus of the rights offer (hereafter: the prospectus) – foreign holders, as defined in the The member's notification to its clients shall include a reference to the definition of foreign holders in the prospectus.

2) The Stock Exchange member shall state in the notice that –

a) if, according to the records kept by it for purposes of its clients' tax liability – to the extent that the member keeps such records – the client is defined as being subject to the tax laws of the foreign state and if the client does not inform the member until three business days before the day on which the rights are traded that he is not a foreign holder, then the member will treat him like a foreign holder who is entitled only to monetary compensation, as prescribed in the prospectus;

if a client notified the member as aforesaid that he is not a foreign holder, then the member shall treat him as said in subsection b) below;

b) if, according to the records kept by the member for purposes of the clients' tax liability – to the extent that the member keeps such records – the client is not defined as being subject to the tax laws of the foreign state, and also if the member does not keep aforesaid records, then – all subject to the client not informing the member until three business days before the day on which the rights are traded that he is a foreign holder – the client shall be able to choose between following three ways of action in respect of the rights recorded to his credit:

(1) to exercise the rights, and thereby the client shall be deemed to have declared that he is not a foreign holder;

(2) to sell the rights, and thereby the client shall be deemed to have declared that he is not a foreign holder;

(3) not to sell and not to exercise the rights and thereby the client shall be deemed to have declared that he is not a foreign holder;

In its notice the Stock Exchange member shall state that – if no notification at all is received from the client until the last date prescribed in its rules – the client shall be deemed to have declared that he is not a foreign holder, the Stock Exchange member will treat him as it treats clients who are not foreign holders and it will sell the rights on the day on which they are traded.

- c) The Stock Exchange member shall state in its notice that its classification of the client as a foreign holder is based on the records kept by it for purposes other than those prescribed in the Regulations, and therefore every client is requested to check whether he is defined as a foreign holder in accordance with the prospectus.

If a client holds that his classification as a foreign holder or as one who is not a foreign holder differs from that determined by the member according to its records, then he shall so inform the member.

- 3) Three business days before the day on which the rights are traded the member shall transfer to the Clearing House member that is the coordinator for the issue, as defined in the prospectus (hereafter: "the coordinator"), in an off-Exchange transaction (without monetary clearing), the quantity of rights allocated to it in respect of its clients that are foreign holders, and that according to its records and according to the notices that it received from its clients, as said in subsection 2) above.
- 4) On the trading day on which the rights are traded, the coordinator shall sell on the Stock Exchange the rights transmitted to it by the members as specified in subsection 3) above and transmit the consideration for the sale to the issuing company.
- 5) On the day on which the rights are exercised, as prescribed in the prospectus, the coordinator shall transmit to the Clearing House the amount of compensation due to each member in respect of the quantity of rights that the member had transferred to the coordinator as said in subsection 3) above, and the Clearing House shall credit the amount received from the coordinator for each member to its account.
- 6) A member shall not have any right to sell or transfer the rights allocated to its clients, except in off-Exchange transactions (without monetary clearing) with the coordinator, and that up to the day on which the rights are traded.
- d. 1) If a client holds rights after the day on which they are traded, then it shall inform the Exchange member whether or not he will exercise them; if the client has not given the member notice as aforesaid, then his rights will not be exercised.
- 2) For the purposes of subsection 1), if a client held rights on the record date for the rights and gave notice that he intends to exercise the rights, as said in subsection b.1., and if he did not change his notice, then he shall be treated as if he had instructed the member, after the day on which the rights were traded, to exercise the rights.

- e. 1) A member who wishes to exercise rights on the last day for exercising the rights shall submit to the Clearing House, separately for each of its subaccounts, a written request to exercise the rights, formulated as shown in Appendix 15 of the By-laws, in respect of the quantity of rights registered to his credit in that subaccount. Said requests may be submitted to the Clearing House beginning at 12:00 o'clock noon on the last trading day before the last day for exercising the rights, until 9:00 AM on the trading day that is the last day for exercising the rights.

The monetary credit and debit shall be made as of the value of the last day for exercising the rights

- 2) If a member does not submit a written request to exercise the rights, then the Clearing House shall treat it as if it had requested not to exercise the rights, and the rights shall lapse.
- 3) If a request to exercise rights relates to a quantity of rights greater than the actual balance registered to the member's credit in the subaccount to which the request refers, then it shall not be carried out at all and it shall be returned to the member who sent it with a statement of the reason therefore.
- 4) When a member submits a request for the exercise of rights, then it is responsible to all the consequences of any error included in its request to exercise the rights.
- 5) If the Clearing House received a notice that the last day for exercising the rights has been postponed, then all the requests that the Clearing House received according to the above section 7.e.1) shall be canceled.
- f. The Clearing House shall debit members for the monetary consideration due from them in consideration of the exercise of the rights and it shall credit the account of the nominee company at the coordinating bank with the monetary consideration due in respect of the exercise of rights by the members.
- g. The nominee company shall credit the Clearing House with the quantity of securities that stems from the exercise of the rights. This quantity shall be divided between the members, so that each member is credited by the Clearing House in accordance with the quantity of rights used by it.
- h. When rights can be used currently, then the provisions of Chapter Ten of this Part of the By-laws shall apply, mutatis mutandis, to the extent that they apply to the process of converting of a convertible security.
- i. The credits and debits said in this section shall be conditional, as specified in section 3. above.

8. Final redemption and partial redemption of a fund of debentures

- a. On the day of payment for the final redemption of a debentures fund, the Clearing House shall debit the account of the nominee company at the coordinating bank in the amount of the payment due on the basis of the quantity of debentures credited to the Clearing House at the end of the day that preceded the day of payment, less the amounts that stem from notices that waived receiving the amount of redemption through the Clearing House.

This amount shall be divided between the members, so that each member is credited by the Clearing House in accordance to the actual balance of debentures registered to its credit at the Clearing House at the end of the day that preceded the day of payment.

On the day of payment the account of the nominee company shall be credited and the accounts of the members shall be debited with the quantity of debentures that were redeemed.

- b. On the day after the record date for a partial redemption of a fund of debentures, the account of the nominee company shall be credited and the securities accounts of the members shall be debited with the quantity of redeemed debentures that were redeemed in the partial redemption.

On the day of payment for the partial redemption of a fund of debentures, the Clearing House shall debit the account of the nominee company in the amount of the payment due on the basis of the securities credited to the nominee company on the record date, less the amounts that stem from notices that waived receiving the amount of redemption through the Clearing House. This amount shall be divided between the members, so that each member entitled to payment is credited by the Clearing House in accordance with the quantity of debenture certificates for which he was debited on the record date.

The provisions of this subsection b. shall not apply, if trading in the company's debentures on the Stock Exchange was pending in consequence of the appointment of a temporary receiver, receiver, temporary liquidator or liquidator.

9. Voluntary early redemption of a fund of debentures

- a. A notice of the early redemption of debentures shall be delivered to the Exchange by the issuer no later than thirty days before the date of early redemption, if the debentures are convertible debentures, and no later than twenty one days before the date of early redemption, if the debentures are debentures that are not convertible. The notice shall state the last day on which the holders of the debentures shall have the right to give notice of their desire to have the debentures which they hold redeemed.
- b. When notice of a date of early redemption has been given in respect of convertible debentures, then requests for their conversion shall not be accepted at the Clearing House beginning with the twelfth day before the redemption date and until the date of the early redemption.

- c. Until six trading days before the date of the early redemption members shall submit to the Clearing House written requests as formulated in Appendix Fifteen "B", separately for each subaccount, specifying the quantity in respect of which they request early redemption.

NCHMs shall transmit this request through the member that clears for them.

A request for redemption that relates to a quantity of debentures in excess of the actually balance registered to the member's credit in the subaccount to which the request refers shall not be carried out and it shall be returned to the member with a statement of the reason therefore.

- d. The Clearing House shall – within two trading days after the time set in the above subsection c. – give notice to the nominee company for what total quantity requests for early redemption have been submitted.
- e. The nominee company shall – within two trading days after it received the notice from the Clearing House – inform the issuer of the total quantity, in respect of which requests for early redemption were submitted,.
- f. At the time of the early redemption the Clearing House shall debit the account of the nominee company at the coordinating bank for the amount of the payment due in accordance with the quantity, in respect of which requests for early redemption were submitted.

This amount shall be divided between the members, so that each member is credited by the Clearing House in accordance with the quantity of debentures, as stated in the member's request to the Clearing House. At this time the account of the nominee company shall be credited and the members' accounts shall be debited with the quantity of debentures that was redeemed.

10. **Partial redemption for which payment was not made and partial redemption of backed debentures**

In this section –

"partial redemption of backed debentures" –

reduction of the capital amount of a backed debenture, in respect of which all the following conditions hold true;

- the issuer announced that, because an issuer of a backing asset failed to meet an obligation, the proportional part of the capital amount of the backed debenture that is backed by that asset has been subtracted;
- the conditions of the backed debenture state that, if the issuer of the backed debenture is credited with any amount for the part subtracted from the capital of the backed debenture, that money shall be distributed to those entitled to the unpaid balance of the debt;

"unpaid balance of the debt" –

a balance of debt in respect of a payment and the payment was not made, or a balance of debt in respect of the partial redemption of a backed debenture.

- a. If payment was not made for a partial redemption the due date of which passed, or if partial redemption was made in respect of a backed debenture, then the following acts shall be carried out at the Clearing House on the first trading day after the original day of payment, which the issuer had set for the partial redemption or on the first trading day after the determining date set by the issuer of the backed debenture for the partial redemption of the backed debenture, as the case may be:
 - 1) the Clearing House shall enter the debt balances that had not been paid separately and it shall identify them by a special number and by a name that states that the balance relates debt balance that was not paid on a certain date;
 - 2) the members' balances at the Clearing House shall be credited with the unpaid debt balance in a quantity identical with the quantity of debentures that was debited against them on the day after the record date;
 - 3) the balance of the Clearing House with the nominee company shall be credited with the total of the unpaid debt balances that are held by the members.
- b. The Clearing House shall allow off Exchange transfers and transactions of unpaid debt balances between members and between subaccounts of each member, but shall not allow withdrawals of unpaid debt balances.
- c. If the issuer announces a payment for unpaid debt balances, then the Clearing House shall make the payments in accordance with the members' balances in its records at the end of the day before the day of the payment.

Notwithstanding the aforesaid, if the payment also includes the payment of interest, the issuer shall set the payment date up to twelve days after the record date for the payment; the Clearing House shall make the payments in accordance with the members' balances in its records.

- d. If a person entitled to an unpaid debt balance requests that certification of his holdings therein be issued, in order for the nominee company to issue a power of attorney in his name, then he shall do so in accordance with section 12. below, mutatis mutandis.
- e. If and when arrangements in respect of the issuer's debentures are lawfully approved in a manner that equalizes the rights of persons entitled to unpaid debt balances and the rights of persons entitled to the balance of the debentures of the same series for which the day of redemption has not yet arrived, then the members and the balance of the Clearing House in the nominee company's account at the coordinating bank shall be debited for the balances of unpaid debt, and the members and the balance of the Clearing House in the nominee company's account at the coordinating bank shall be credited with the debentures that are the subject of the arrangement, in accordance with the certifications that will be received.

11. **Forced sale under section 337 of the Companies Law 5759-1999**

- a. The payments for a forced sale shall be made through the nominee company of the company, the shares of which were sold in a forced sale.
- b. Two trading days before the time for the transfer of the consideration to the Clearing House, the nominee company shall deliver to the Clearing House notice of the time, when the consideration for the shares that are to be sold in a forced sale will be transferred.

The notice shall include the monetary consideration payable for each share, the total consideration to be paid and the quantity of shares registered to the credit of the purchaser in the forced sale (hereafter: "the purchaser") with each of the members.

- c. When the aforesaid consideration is transferred, the Clearing House shall debit the nominee company with the amount of consideration due on the basis of the quantity registered to the credit of the Clearing House at the nominee company on the day on which the consideration is transferred, less the quantity registered with members to the purchaser's credit.

The amount of the said consideration shall be divided between the members, so that each member entitled to payment is credited by the Clearing House with a payment according to the actual balance of shares registered to its credit at the Clearing House on the day for transfer of the consideration from the forced sale, less the actual balance registered with it to the purchaser's credit.

The Clearing House shall debit the members for the quantity of shares for which they were credited with payment, and it shall credit the nominee company with that quantity of shares.

- d. On the trading day after the day on which the consideration was transferred as aforesaid, the purchaser shall submit to each Clearing House member, with whom shares that were the subject of the full purchase order are registered, a request to withdraw the entire quantity registered to its credit with that member.

When a said request has been submitted to a member, the member shall submit to the Clearing House a withdrawal order, as formulated in Appendix Seven "B" to the By-laws. The purchaser's request that was submitted to the member as aforesaid shall be attached to the withdrawal order.

The provisions of section 5.b. in Chapter Three of this Part of the By-laws shall apply, mutatis mutandis, to the said withdrawal order.

12. **REPEALED**

12A. **Voting rights and the issue of proxies – securities of foreign companies**

- a. In this section –
"securities" – the securities of a foreign company;

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"entitled person" – a person to whose credit a security is registered with an Exchange member;

"the determining day" – the day set by the foreign company as the determining day for voting at a General Meeting.

- b.
 - 1) If an entitled person wishes to vote, he shall apply to the Clearing House member through which he acts, that it certify that the quantity in respect of which he wishes to vote is registered to his credit with the member (hereafter: "certification of ownership") or that it obtain a proxy in his name, stating the quantity in respect of which he wants the proxy or the certification of ownership, in accordance with the alternative chosen by the foreign company as said in subsection d. below. If the entitled person acts through an NCHM, then the entitled person shall address his request to the NCHM, which shall forward the request to its MPMC.
 - 2) The member, to whose credit an actual balance of the security is recorded at the Clearing House, shall give the certification of ownership to the entitled person or apply to the Clearing House for a proxy, as the case may be.
 - 3) When a said certification of ownership has been given to the entitled person, he shall send it to the issuer with the documents required for voting at the General Meeting.
 - 4) Nominee companies shall not use the voting rights in respect of the securities registered in their names.
- c. When a security is registered at the Clearing House, the foreign company shall inform the Clearing House which of the alternatives described below it chooses. The alternative shall be chosen according to the professional opinion that the foreign company received, and it shall accord with legal requirements incumbent on it on the matter of calling General Meetings.
- d. The alternatives are as follows::
 - 1) **Getting the balances recorded to the members' credit at the Clearing House**
 - (a) When the time for a General Meeting of securities holders has been set, the foreign company shall request from the Clearing House the actual balance of the security that is recorded to the credit of each Clearing House member on the determining day, and a proxy from the Clearing House. The request shall be as is formulated in Appendix Eighteen "B" (hereafter: "the application"), which is attached to the By-laws, and it shall include the foreign company's undertaking to keep confidential the data that will be delivered to it by the Clearing House. Getting the said application from the foreign company is a condition for the delivery of the data by the Clearing House.

- (b) When the application has been received by the Clearing House, the Clearing House shall give the foreign company a list that includes the names of the members, together with the actual balance of the security registered with the Clearing House to the credit of each member, as well as a proxy for Clearing House members and their clients to vote in the name and in place of the Clearing House at the General Meeting, all as formulated in the attached Appendix Eighteen "C". The Clearing House shall deliver the proxy and the said list within two trading days after the determining day, and that subject to the application having been received by the Clearing House before the determining day. If the Clearing House receives the application after the determining day, then the Clearing House shall deliver the said list within two trading days after the application was received by the Clearing House.
- (c) It is the responsibility of the foreign company to check, in respect of each Clearing House member, that the total quantity for which it received certifications of ownership from entitled persons to whose credit securities are registered with that member does not exceed the actual balance of that security that is registered with the Clearing House to that member's credit.

2) **Certification of balances of a security by the Clearing House**

- (a) When the date for a General Meeting of holders of a security has been set, the foreign company shall deliver to the Clearing House, immediately after the determining day, a request that it certify balances, formulated as said in Appendix Eighteen "D", which is attached to the By-laws. To the request shall be attached a list that includes the names of the Clearing House members, and next to the name of each member shall appear the quantity for which certifications of ownership were delivered to the issuer by entitled persons registered with that member.
- (b) The Clearing House shall check in respect of each member that the quantity that appears on the said list does not exceed the actual balance of the security registered with the Clearing House to that member's credit on the record day. If the Clearing House finds that the actual quantity of the security registered with the Clearing House to the Clearing House member's credit on the record day was smaller than the quantity on the list, then the application shall be returned to the foreign company with that fact stated. If the Clearing House finds that the actual quantity of the security registered with the Clearing House to the Clearing House member's credit on the record day was equal to or greater than the quantity that appears on the list delivered by the foreign company, then the Clearing House shall certify that fact on the application said in the above subsection (a).

- (c) If the security is registered in the name of a nominee company in Israel, then the foreign company may ask the nominee company that it apply to the Clearing House. In this case the application attached to the By-laws as Appendix Eighteen "D" shall be signed by the nominee company, and the provisions of this subsection 2) shall apply.

3) **Issue of proxies by the nominee company**

Only a foreign company, the securities of which are registered in the name of a nominee company in Israel and cleared at the Clearing House, may choose the following alternative:

- (a) When the date of a General Meeting of holders of a security has been set, the entitled person shall apply for a proxy to the member through which he acts, stating the quantity in respect of which the proxy is requested.

If the entitled person acts through an NCHM, then the entitled person shall address his request to the NCHM, which shall forward the request to its MPMC.

- (b) The member shall apply to the Clearing House, as formulated in Appendix Eighteen "E" (hereafter in this section: "the member's application"), in order for it to certify that, on the determining day, an actual balance of securities at least equal to the quantity for which the proxy was requested was registered to its credit in the subaccount to which its request refers.
- (c) The Clearing House shall check the actual balance of the security registered to the member's credit on the determining day in the subaccount to which the member's request refers, and if the actual balance – less previous valid certifications that were issued to the member – is equal to or greater than the quantity for which the proxy was requested, then the Clearing House shall apply to the nominee company, as formulated in the attached Appendix Eighteen "F", that it issue the proxy requested by the entitled person. If the actual balance of the security registered to the member's credit on the determining day in the subaccount to which the member's request refers is smaller than the quantity, in respect of which the member's application was submitted, then it shall not be acted on at all and it shall be returned to the member that submitted it with a statement of the reason therefor.

The Clearing House shall apply to the nominee company within two trading days after the determining day, if the request was received by the Clearing House before the determining day. If the Clearing House received the member's request after the determining day, then the Clearing House shall apply to the nominee company within two trading days after it received the member's application.

- (d) The nominee company shall send the proxy requested by the entitled person to the foreign company. The proxy shall be formulated as in Appendix Eighteen "G", which is attached to the By-laws. A separate proxy shall be issued for each entitled person. A copy of the proxy shall be sent to the entitled person through the Clearing House, which shall transmit it to the member, and the member shall transmit it to the entitled person or to the NCHM, which shall forward it to the entitled person.
- (e) An application to certify a balance shall be submitted to the Clearing House not later than at 4:00 PM of any trading day. The Clearing House does not guarantee that it will deal with applications submitted to it less than 72 hours before the time set for the Meeting.

13. **Handling certifications of exemption from tax deduction**

- a. Dividend and interest payments in cash shall be paid by the issuers and shall be transmitted to the members through the Clearing House, without deducting tax at the source.
- b. Notwithstanding the provisions of the above subsection 13.a., in cases in which deduction at the source in respect of a payment is carried out by the issuer, the Clearing House shall act in accordance with the following:
 - 1) Certifications of exemption from tax deduction at the source in respect of the payment shall be transmitted by the members to the Clearing House not later than five trading days before the day of the payment.

The certifications shall be submitted in a closed envelope, and in them the particulars of the exemption shall be stated. Particulars that will be prescribed by the Clearing House from time to time shall be stated on the outside of the envelope.
 - 2) The Clearing House shall transmit the certifications in the closed envelopes all together to the nominee company through the coordinating bank, together with an accompanying letter that specifies the quantity of securities exempt of tax deduction at the source.
 - 3) A separate envelope shall be submitted for each subaccount of a member.
- c. If a request for exemption from tax deduction at the source relates to a quantity of securities in excess of the actual quantity registered to the member's credit in the subaccount to which the request refers on the record date – after the quantity of securities for which requests for exemption from tax deduction at the source or waiver notices under section 14 below that already were submitted has been subtracted – then it shall not be acted on at all and it shall be returned to the member that submitted it with a statement of the reason therefor.

- d. The Clearing House will handle the certifications of exemption from deduction of Israel tax at the source in respect of the securities of a company incorporated abroad, which are deposited with nominee companies, subject to the company having an Income Tax file in Israel for the deduction of the Israel tax.

14. **Waiver of payment or other right due in respect of a security deposited with the Clearing House**

- a. If a client is not interested in receiving through the Clearing House a cash dividend, interest or any other right (hereafter: "right") to which he is entitled in respect of a security registered to his credit with an Exchange member, then he shall give a written notice that he waives the right to the member through which he acts. If the client acts through an NCHM, then the client shall inform the NCHM of the waiver and the NCHM shall so inform the MPMC through which it acts.
- b. In consequence of the client's notification the member shall send a written notice to the Clearing House and to the nominee company, stating the number of the subaccount to which the notice refers, the quantity of the security and the type of right to which the waiver refers and the Clearing House shall not credit the member with the right in respect of the quantity stated in the member's notice. Notice that the credit was not made shall be sent to the nominee company by the Clearing House.
- c. 1) A waiver notice that refers to a cash dividend or to interest shall be submitted to the Clearing House no later than two trading days before the day of payment;
- 2) If a waiver notice refers to any other right, then it shall be submitted to the Clearing House up to the record date for that right.
- d. A waiver notice that refers to a quantity of securities in excess of the actual balance entered on the record date to the credit of the member in the subaccount to which the notice relates, after deduction of the quantity of securities in respect of which waiver notices were submitted, shall not be carried out at all and shall be returned to the member that sent it with a statement of the reason therefore.
- e. Waiver notices shall be made for each right separately.

15. **Purchase offer**

No later than two trading days after the detailed purchase offer issued by the proponent was received, Stock Exchange members shall inform their clients, who on that day are entered on their books as holders of the security, that the purchase offer was published. The Stock Exchange members shall include particulars of the purchase offer in their notification.

16. Payment by way of distributing a security**a. Payment by way of distributing a security that is registered with the Clearing House**

The following shall apply to payments to persons who hold a security listed with the Clearing House (hereafter in this subsection: "the entitling security") by way of distributing another security that is listed with the Clearing House (hereafter in this subsection: "the security for distribution"):

- 1) Notification of the payment and of the record date for the distribution shall be received by the Stock Exchange at least five trading days before the record date.
- 2) The payment date shall be as follows:
 - a. a payment that is liable to tax deduction at the source shall – if the tax deduction is carried out by the issuer – be performed between the twelfth and the eighteenth day after the record date for the payment;
 - b. a payment that is not liable to tax deduction at the source, as well as a payment liable to tax deduction at the source for which the tax deduction is not carried out by the issuer, shall be made beginning with the second trading day after the record date for the payment and not later than on the eighteenth day after the record date for the payment.
- 3) Up to one trading day before the payment date the issuer shall deposit to his credit with a Stock Exchange member the quantity of the security for distribution, less the quantity in respect of which notices were submitted that waive receipt of the security for distribution through the Clearing House, and – in the case of a tax deduction at the source that is carried out by the issuer – less the quantity of the security for distribution that was deducted at the source as tax, with the addition of the quantity for which there are certifications of exemption from tax deduction at the source.
- 4) On the payment date the quantity of the security for distribution, which was credited to the member's account as said in subsection 3) above, shall be divided among the accounts of the members, so that each member to whose credit an entitling security is registered will be credited by the Clearing House with a quantity of the security for distribution according to the actual balance of entitling securities that were registered to his credit with the Clearing House on the record date, and in the case in which tax deduction at the source was carried out by the issuer – less the quantity of the security for distribution that was deducted at the source as tax and with the addition of the quantity derived from certifications of exemption from tax deduction at the source.

b. **Payment by way of distributing a security that is not registered with the Clearing House**

- 1) The Clearing House does not carry out payments by distributing securities that are not registered with the Clearing House.
- 2) If an issuer wishes to carry out a payment to holders of a security that is registered with the Clearing House (hereafter in this subsection: "entitling security") by way of distributing another security that is not listed with the Clearing House, then he may request of the Clearing House that it inform him of the names of the Clearing House members to whose credit are registered actual balances of the entitling security, and also of the actual balance of the said security registered to the credit of each of the said members, in order to make the payment not through the Clearing House.

The request shall be formulated as in Appendix Fifteen "C", which is attached to the By-laws (hereafter in this subsection: "the request"). In the request shall be stated the day set by the issuer as record date for the payment (hereafter in this subsection: "the record date") and it shall include the issuer's undertaking to maintain the confidentiality of the information that the Clearing House communicate to him.

- 3) When the request has been received by the Clearing House, the Clearing House shall give the issuer a list that specifies the names of those Clearing House members, to whose credit actual balances of the entitling security are registered with the Clearing House on the record date, as well as the actual balances of the said security to the credit of each of the said members.

The Clearing House shall deliver the said list to the issuer within two trading days after the record date, and that subject to the request having been received by the Clearing House before the record date. If the request was received by the Clearing House after the record date, the Clearing House shall deliver the list to the issuer within two trading days after the request was received by the Clearing House.

17. **Payment not through the Clearing House**

- 1) An issuer who wishes to make a payment to holders of a security registered with the Clearing House (hereafter in this subsection: "entitling security") not through the Clearing House may request the Clearing House to give him the names of the Clearing House members, to whose credit an actual balance of entitling securities is registered, as well as the actual balance of the said security registered to the credit of each of the said members, in order to make the payment not through the Clearing House.

The request shall be as formulated in Appendix Fifteen "D" that is attached to the by-laws (hereafter in this subsection: "the request"). In the request shall be stated the date set by the issuer as the record date for the payment (hereafter in this subsection: "the record date"), and it shall include the issuer's undertaking to maintain the confidentiality of the data that the Clearing House will give him.

- 2) When the request has been received by the Clearing House, the Clearing House shall give the issuer a list that specifies the names of the Clearing House members to whose credit stood an actual balance of the entitling security on the record date and also the actual balance of the said security registered to the credit of each of the said members.

The Clearing House shall deliver the said list to the issuer within two trading days after the record date and that subject to the request having been received by the Clearing House before the record date. If the request is received by the Clearing House after the record date, the Clearing House shall deliver the list to the issuer within two trading days after the day on which the request was received by the Clearing House.

CHAPTER TEN- CONVERTIBLE SECURITIES

1. A client who wishes to convert or to exercise a security entered to his credit shall make a request to the member through which he acts. The request shall be submitted to the member in writing and it may be given by means of facsimile or electronic mail. The request may also be submitted by telephone or by some other medium, if allowance for that was made in the contract between the member and the client, provided the member documented receipt of the request. If the client acts through an NCHM, then the request shall be made to the NCHM and it shall transmit it to the MPMC through which it acts.
2.
 - a. The member shall submit a conversion request to the Clearing House according to the form attached to the By-laws as Appendix 15. In the conversion request the member shall request that the Clearing House debit the convertible security against the subaccount to which the request refers, that it debit it with the amount payable for the conversion – if any is payable – and that in consideration therefor it credit the subaccount to which the request refers with the security that stems from the conversion, and it shall certify that the credit is conditional so that – if the security that stems from the conversion is not allocated – the Clearing House will have the right to debit it for the security that stems from the conversion.
 - c. A conversion request shall be received by the Clearing House until 12:00 noon, only on trading days.
 - d. A request to convert a security in a quantity greater than the actual balance of that convertible security entered to the member's credit in the subaccount to which the request refers shall not be carried out at all and it shall be returned to the member that sent it.
 - e. A request for the conversion of a security, trading of which was pending in consequence of the appointment of a temporary receiver, receiver, temporary liquidator or liquidator, shall not be carried out at all and shall be returned to the member who sent it.
3. When the Clearing House has received a conversion request, it shall act as follows:
 - a. the Clearing House shall transmit to the nominee company through the coordinating bank, and to the member a report that conditionally certifies the compliance with the conversion request, as specified below;
 - b. the Clearing House shall debit the member for the convertible security and credit the nominee company accordingly;
 - c. the Clearing House shall credit the member with the security that stems from the conversion and debit the nominee company accordingly;
 - d. the Clearing House shall debit the member for the payment connected to the conversion request and credit the nominee company accordingly;
 - e. when a purchase option or a purchase debenture is converted, then the following rules shall apply:
 - 1) the Clearing House shall transmit a report that certifies that the request was

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carried out conditionally to the nominee company of the convertible security, to the member and to the member through whom the trustee for the security that stems from the conversion operates

- 2) the Clearing House shall debit the member for the convertible security and credit the nominee company accordingly;
 - 3) the Clearing House shall credit the member with the security that stems from the conversion and accordingly debit the member through which the custodian for the security that stems from the conversion acts;
 - 4) the Clearing House shall debit the member for the payment connected to the conversion and accordingly credit the member through which the custodian for the security that stems from the conversion acts.
4. No later than 12 noon of the first trading day after receipt of a request for conversion of a convertible security –
- a. the nominee company shall send the certificate of the convertible security or the letter of allocation in its respect to the issuer, together with a conversion request signed by it;
 - b. the nominee company shall debit the issuer and credit the Clearing House with the security that stems from the conversion;
 - c. if conversion of the security is accompanied by a payment, then the nominee company shall credit the issuer with the payment.
5. Until 12 noon of the first business day after the day, on which the Clearing House transmitted to the member the report that conditionally certifies compliance with the request for conversion, the member shall inform the Clearing House of any discrepancy between the conversion request and the report sent by the Clearing House.

If the member gave a said notice, the Clearing House shall make the necessary adjustments within one trading day after receipt of the notice, and it shall send a corrected conditional certification of the conversion request to the member and to the nominee company. If no aforesaid notice was given by the member, then the member shall be responsible for all the consequences of any error in the particulars included in the certification of the conversion request.

The provisions of this section shall also apply, mutatis mutandis, to a member that submitted a request for the conversion of a security of the category of purchase options or purchase debentures.

6. a. No later than two trading days after any date on which a conversion request was submitted, the issuer shall deliver a letter of allocation to the nominee company, specifying the shares allocated in its name (hereafter: "letter of allocation");
- b. the entries in the nominee company, the Clearing House and the members' account (all together hereafter: "the entries") said in sections 3, 4 and 5 above shall be conditional until they become final and absolute or until they are canceled as specified in subsection c.

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- c.
 - 1) When the letter of allocation is received, the nominee company shall check whether the letter of allocation corresponds to the entries. If the nominee company finds that there is any discrepancy between the letter of allocation and the entries, then it shall give notice thereof to the Clearing House without delay. If the Clearing House received a said notice, then it shall make the necessary adjustments and give notice thereof to the member. When the necessary adjustments have been made, the entries shall become final and absolute.
 - 2) If the nominee company did not receive the letter of allocation, then the nominee company shall so inform the Clearing House until the end of five trading days after the date of the allocation and the Clearing House shall cancel the entries and it shall so inform the members.
 - 3) If the Clearing House did not receive any notice from the nominee company by the end of five trading days after the date of the allocation, then the entries shall become final and absolute at the end of that period.
 - d. Exchange members shall not allow their clients to sell securities, in respect of which entries are conditional.
7. The member who submits a conversion request is responsible for the consequences of any error in the particulars included in the conversion request.
8. a. Until 12 noon of the last day of conversion before final redemption or until 12 noon of the last day of conversion before the record date of a partial redemption, as the case may be, members shall submit – separately for each of their subaccounts – conversion requests in respect of the balance of convertible debentures entered to their credit in that subaccount and which they request to have converted.

The balance of convertible debentures up for redemption and entered to its credit at the Clearing House, for which the member had not make a conversion request until the aforesaid time, shall be redeemed.

- b. Twenty one days before the conversion date that occurs before final redemption or before the record date of a partial redemption of convertible debentures, as the case may be, Exchange members shall send notices to the clients who appear on their books on that day as holders of the convertible debentures. In the notice the member shall specify the ways of action open to the client in respect of the convertible debentures entered to his credit:
 - 1) to convert the debentures;
 - 2) to redeem the debentures;
 - 3) to sell the debentures up for redemption before the redemption date.

The Exchange member shall state in its notice how it will act if no instructions at all are received from the client until the final date set in its procedures.

In its procedures the Exchange member shall prescribe a final date for the delivery of instructions from a client who bought the convertible debentures after the Exchange member sent its aforesaid notice to its clients and until the last conversion date before the redemption, and it shall state how it will act in respect of clients who gave no aforesaid instructions.

9. a. 1) A member who wishes to exercise warrants on the last day for exercising those warrants shall submit to the Clearing House, separately for each of his subaccounts, a request to convert the balance of warrants that is recorded to his credit in that account and that he wishes to convert.

Notwithstanding the provisions of section 2.b. above, said requests may be submitted to the Clearing House beginning with 12:00 o'clock noon on the last trading day before the last day for exercising the warrants and until 9:00 AM on the trading day that is the last day for exercising the warrants.

The balance of warrants recorded to his credit, in respect of which the member did not submit a request for conversion up to the aforesaid time, shall not be exercised, but shall lapse.

- 2) If the Clearing House received a notice that the last day for exercising the warrants has been postponed, then all the requests that the Clearing House received according to the above subsection 1) shall be canceled.
- b. 1) Twenty-one days before the last exercise date Exchange members shall send notices to the clients who appear on their books on that day as holders of the warrants. In the notices the Exchange members shall specify the ways of action open to the clients in respect of the warrants entered to their credit:
- a) to exercise the warrants;
 - b) to sell the warrants on the last day on which they are traded;
 - c) not to sell and not to exercise the warrants, allowing them to lapse.

In their notices the Exchange members shall state that – if no instructions at all are received from a client until the final date set in their procedures – then the Exchange member will sell the warrants on the last day on which they are traded.

- 2) If a client holds warrants after the last day on which they are traded, then he shall give notice to the Exchange member whether he will or will not exercise them; if the client does not give an aforesaid notice to the Exchange member, then the warrants he holds will not be exercised, but will lapse.
- 3) For the purposes of subsection 2), if a client held warrants before the last day on which they were traded and if he gave notice that he wants to exercise the warrants as said in subsection 1), and if he did not change his notice, then he shall be treated as if he had given the Exchange member notice after the last day on which the warrants were traded to exercise the warrants.
10. If a fractional security results from conversion after an act of exercising, then the quantity shall be rounded downwards to the nearest unit.

CHAPTER ELEVEN- DESIGNATING A COORDINATING BANK*

- 1.** Each issuer shall have a single coordinating bank for all its securities.
2. A new issuer shall choose a coordinating bank for its securities and it shall give the Clearing House notice thereof.
3. If the issuer did not give notice which is its coordinating bank, then –
 - a. if a coordinating bank is among the managers of the consortium of underwriters of its issue, then the first coordinating bank that appears in the consortium of underwriters shall serve as the coordinating bank;
 - b. in any other case the Clearing House shall designate the coordinating bank, and that by taking the coordinating banks in turn.
4. In the case of an issue of short term loan, the Bank of Israel shall be the coordinating bank.
5. When Government bonds are issued, the Ministry of Finance or whoever is designated by it shall be the coordinating bank.

* The coordinating banks are Bank Hapoalim B.M., Bank Leumi le-Israel B.M., Israel Discount Bank Ltd. and United Mizrahi Bank Ltd.

** The provisions of this section shall apply to securities that were deposited with the Clearing House after October 8, 2007.

CHAPTER TWELVE- MUTUAL INVESTMENT TRUST FUNDS

1. Definitions and interpretation

- a. The terms in this Chapter shall be interpreted within their meaning in the Joint Investment Trusts Law 5754-1994 (hereafter: "the Law"), in the Stock Exchange Rules and in regulations thereunder, except when it is explicitly stated otherwise.
- b. In this Chapter –
"day of receipt" – the trading day on which the document was received at the Clearing House, if it was received at the Clearing House until 1:00 PM of that day, or the first trading day thereafter, if it was received at the Clearing House after 1:00 PM of that day, except if there is a different provision in this Chapter.

2. Representative member

- a. Every Fund Manager shall appoint a representative member.

The representative member shall inform to the Clearing House, by use of the form attached to the By-laws as Appendix 19"A", of the names of the funds for which it was appointed representative member. A copy of the notice shall be sent by the representative member to the managers of the funds. Further the representative member shall attach to the notice a photocopy of the cover page of the fund's prospectus and a photocopy of the page of the prospectus, on which it is stated that the person who signed the notice is the representative member appointed for the fund.

- b. A Fund Manager is entitled to replace the representative member, on condition that it is always represented by a representative member. A notice of the replacement of a representative member and of changes that will be made in the particulars of the fund together with the replacement of the representative member, if any, shall be delivered to the Clearing House by use of the form attached to the By-laws as Appendix 19"B", signed by the replaced representative member and the replacing representative member. The Clearing House shall update the change, as specified in the notice, on the trading day after the day on which the notice was received.
- c. Contact between the Clearing House and the Fund Manager shall be through the representative member. The representative member's acts, including its knowledge and intentions, shall obligate and entitle the Fund Manager, as the case may be.
- d. A representative member shall inform the Clearing House on each trading day, within two hours after trading of all securities on the Exchange was concluded, of the unit price and the redemption price per unit.
- e. A representative member shall give the Clearing House notice by use of the form attached to the By-laws as Appendix 19"C" of the rate of the addition and of any change thereof, also when it is set or changed by a prospectus.

The rate of addition shall be set as a proportion of the monetary consideration for all the units ordered by a distributor.

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- f. A representative member shall inform the Clearing House by use of the form attached to the By-laws as Appendix 19"C" of the by-Laws of the hour set for the acceptance of orders for the creation of units and of provisions for the redemption of units in the fund, and of any change thereof, also when it is set or changed by a prospectus.
 - g. A representative member shall give the Clearing House notice by use of the form attached to the By-laws as Appendix 19"C" whether any limit has been set on the number of units which the Fund may create and what is the maximum number of units which the Fund may create. The representative member shall also give the Clearing House written notice on the aforesaid form of any change in the limit, also when it is set or changed by a prospectus.
 - h. A representative member shall inform the Clearing House by use of the form attached to the By-laws as Appendix 19"C" to the by-Laws of any change in the name of the fund.
 - i. A representative member of a fixed dates fund, including a conservative money market fund, shall inform the Clearing House by use of the form attached to the By-laws as Appendix 19"C" which is the fixed date on which orders for the creation of new units and for the redemption of units may be submitted.
 - j. A representative member shall inform the Clearing House by use of the form attached to the By-laws as Appendix 19"C" of the particulars of the fund that are mention in Appendix 19"C" and of any change in them.
A copy of the notice shall be sent by the representative member to the manager of the fund.
3. **Transmission of orders for the creation of units and for the redemption of fund units**
- a. Distributors shall – by electronic means – transmit to the Clearing House orders for the creation of units (hereafter: "orders to create") and orders for the redemption of units (hereafter: "orders to redeem"). Orders to create and orders to redeem shall be transmitted by the distributor no later than at the designated time.
 - b.
 - 1) A distributor shall transmit to the Clearing House – separately for each of his subaccounts at the Clearing House (hereafter: "subaccount") – orders to create for his clients in that subaccount', and to redeem for his clients in the same subaccount.
 - 2) Orders to create and orders to redeem shall be submitted separately, without any set-off between orders to create and orders to redeem.
 - 3) Until the designated time the distributor may change or cancel an order to create or an order to redeem, which he had transmitted to the Clearing House on that day.
 - c. Immediately after the designated time the Clearing House shall transmit to the representative member the total of orders to create and the total of orders to redeem that had been transmitted to it by each of the distributors.

Furthermore and without derogating from the aforesaid the Clearing House may transmit to the representative member – at any time before the designated time and for his information only – a report of the total number of orders to create and the total number of orders to redeem that had been transmitted to it until that time by each distributor.

Let it be clearly stated that clearing orders to create and orders to redeem will be carried out as specified in section 4 below, according to the rules prescribed there.

d. **Transmission malfunctions**

- 1) If a malfunction occurs in the transmission from a distributor to the Clearing House of orders to create or of orders to redeem, the distributor shall transmit the orders to create and the orders to redeem to the Clearing House in any other manner, and that no later than at the designated time.
- 2) If a malfunction occurs in a transmission from the Clearing House to some or all of the representative members of orders to create or of orders to redeem, the Clearing House shall take steps – to the extent possible and by the means available to it – to transmit the orders to creation and the orders to redeem that had been received at the Clearing House to the representative members.

e. **Transmission of orders to create and to redeem units of a Special Fund**

The provisions of sections 3.a. to 3.d. above shall apply to the transmission of orders for to create and orders to redeem units in a Special Fund, with the changes specified below:

- 1) orders to create and orders to redeem that had been received up to the designated time set for the first phase shall be deemed orders submitted for the first phase;
- 2) orders to create and orders to redeem that had been received after the designated time set for the first phase shall be deemed orders submitted for the second phase;
- 3) the Clearing House shall transmit to the representative member the orders to create and the orders to redeem that were transmitted to it for each phase immediately after the designated time of each phase.

f. **Transmitting orders for the creation and redemption of units in a conservative money market fund**

The provisions of the above section 3.a. to 3.d. shall apply to the transmission of orders for the creation or redemption units in a conservative money market fund; however –

if the determining day for the submission of orders for the creation or redemption units in a conservative money market fund falls on a day that is not a trading day on the Exchange, it shall not be possible to submit orders for the creation or redemption units in a conservative money market fund on that day. It will be possible to submit orders only for the redemption of units on the first trading day after that day.

4. **Registration and clearing in respect of the creation of units and in respect of the redemption of units**

a. In this section –

"**unit price**" – the price of a unit as defined in section 42(a) of the Law, plus the rate of the addition;

"**redemption price**" – as defined in section 42(a) of the Law.

- b. 1) Monetary clearing in respect of fund units, including monetary clearing of units in a special fund, shall be carried out according to the unit price and according to the redemption price that were communicated to the Clearing House by the representative member, as specified in the above section 2.d.
- 2) If an error occurred in the unit price or in the redemption price and if the representative member so informed the Clearing House within thirty days after the date on which the error occurred, the Clearing House shall update the unit price and the redemption price on the trading day after the day on which the notice was received by the Clearing House and it shall perform in the members' accounts the monetary debits and credits that must be made in consequence of the error.

The representative member's notice shall be delivered by means of the form attached to the By-laws as Appendix 19 "F", and the source of the error shall be specified in it.

c. Subject to the provisions of subsection d. below, orders to create and orders to redeem fund units shall be cleared as specified below:

- 1) orders to create and orders to redeem in a fund cleared in Israel currency, which the Clearing House received on any day up to the designated hour that had been communicated to the Clearing House in respect of that fund as said in section 2.f. above, shall be cleared by the Clearing House in the first clearing round (within the meaning of that term in Chapter Five of this Part of the By-laws) on the first business day after the day on which the orders to create or orders to redeem, as the case may be, were received by the Clearing House,
- 2) orders to create and orders to redeem in a fund cleared in foreign currency, which the Clearing House received on any day up to the designated hour that had been communicated to the Clearing House as said in section 2.f. above, in respect of that fund, shall be cleared by the Clearing House in the first clearing round (within the meaning of that term in Chapter Five of this Part of the By-laws) on the first business day on which the Bank of Israel performs foreign currency clearing after the day on which the orders to create or orders to redeem, as the case may be, had been received by the Clearing House,
- 3) The Clearing House shall clear an order to redeem fund units only units in a quantity sufficient for clearing the order are in the subaccount to which the order refers.

If the Clearing House received an order to redeem, which refers to a quantity of units greater than the quantity of units registered in the subaccount to which the order refers, the order shall be deemed an order that refers only to the quantity of units registered in that subaccount (hereafter: "registered quantity of units") and the Clearing House shall accordingly clear the registered quantity of units under this order.

When the Clearing House has cleared as aforesaid, it shall so inform the distributor who submitted the order and the member who represents the fund.

- d. Monetary clearing that derives from orders to create or from orders to redeem in a fund shall be carried out according to the provisions of Chapter Six of this Part of the By-laws.

If the full monetary consideration for an order to create or an order to redeem has not been paid, the said order shall not be carried out at all and it shall be returned to the distributor who requested the creation or the redemption, as the case may be. When the Clearing House has returned an order to create or an order to redeem as aforesaid, it shall so inform the representative member.

- e. After the clearing specified in subsections c. and d. above has been completed, the Clearing House shall record the results of the clearing and it shall update the record of the total number of units to the credit of each distributor in each subaccount in which orders to create and orders to redeem were carried out. The Clearing House shall give notice to the distributor and to the representative member of the updated records (hereafter: "Clearing House records").

- f. 1) Until the end of the business day on which the clearing was carried out (hereafter: "clearing day") as aforesaid, the representative member shall certify to the Clearing House that the fund manager carried out all the orders to create and all the orders to redeem as recorded by the Clearing House, as said in subsection e. above (hereafter: "certification that the Clearing House records are correct"). A representative member who until the end of the clearing day did not give the Clearing House a different notice in writing shall be deemed to have given the Clearing House certification that the Clearing House records are correct, as aforesaid.
- 2) If the representative member informed the Clearing House before the end of the clearing day that the records of the Clearing House do not agree with the records in the fund's books (hereafter: "disagreement notice"), the representative member shall perform the necessary acts, so that the records on the fund's books and the records of the Clearing House will be in agreement, and that until the end of the first trading day after the clearing day.

The Clearing House may, at its discretion, clear the acts that are required as aforesaid even before the time set therefor in subsection c. above, if the representative member so requested.

- 3) The representative member shall transmit a copy of the disagreement notice, as said in the above subsection f.2., to the Securities Authority at the time at which he transmits it to the Clearing House
- g. If the prospectus of a fund prescribes a limit on the number of units of the fund, and if the number of units ordered on a trading day exceeds the number of units offered on that day by that fund, the representative member shall inform the Clearing House up to the end of trading on the Stock Exchange of the ratio at which orders for units will be accepted, based on the orders to create and the orders to redeem that were given him as said in section 3.c. above. In such an instance, orders to create in that fund shall be cleared in accordance with that ratio.

If, when the Clearing House cleared the orders to create according to the rate of response communicated to it by the representative member as aforesaid, and if – in consequence of the partial implementation of orders to redeem, as said in the above subsection c.3) – the number of units in the fund exceeds the limit prescribed in the prospectus, the representative member shall perform the acts that are required in order to comply with the limit that was prescribed as aforesaid.

The Clearing House also may, at its discretion, perform the clearing that stems from the aforesaid required acts before the time set therefor in the above subsection c., if the representative member so requested.

- h. The clearing of orders to create and of orders to redeem is carried out by the Clearing House, as specified in this Chapter Twelve and in Chapter Six in this Part of the By-laws according to the provisions prescribed in them. The Clearing House is not responsible in any manner whatsoever for the creation or redemption of units in a fund or for paying the consideration for units, and the responsibilities of the Clearing House are limited to performance of the acts specified in the By-Law Chapters that are named above.
5. a. **Cancellation of a client's registration in a fund manager's Register of unit holders and registration of the units in the distributor's name (hereafter: "deposit")**

If a client requested that units registered in the client's name in the fund's Register of unit holders be registered to his credit with a distributor, the following provisions shall apply:

- 1) the client's request shall be submitted to the distributor in writing and documents in witness of his ownership of the units shall be attached to it (all these hereafter: "the request").
- 2) The distributor shall transmit the request to the representative member within three trading days after he received the request from the client. An NCHM shall transit the request through the member that clears for it.

The distributor shall attach certification to the request, stating that he examined the request and that it was lawfully signed by the client.

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- 3) The representative member shall transmit the request to the fund manager.
 - 4) When the request has been received by the fund manager, the fund manager shall act as follows:
 - a) examine whether the attached documents in witness of the client's ownership of the units are genuine and whether the said documents match the entries in the fund's Register of unit holders;
 - b) after it is satisfied that the said documents are genuine and that the said particulars match, delete the client's particulars from the fund's Register of unit holders and register the distributor as owner of the units;
 - c) send certification of the change to the Securities Authority over MAGNA;
 - d) transmit a true copy of the original from the up-to-date Register of unit holders, as well as a copy of the report it submitted change to the Securities Authority over MAGNA to the representative member (hereafter: "fund manager's report") and instruct the representative member to submit a deposit request to the Clearing House.
 - 5) The representative member shall submit a deposit request to the Clearing House, formulated as shown in Appendix 19 to the By-laws, in accordance with the quantity stated in the fund manager's report, together with a copy of the report the fund manager submitted to the Securities Authority over MAGNA.
 - 6) When the deposit request is received as said in section 5) above, the Clearing House shall register the units to the distributor's credit, as specified in the deposit request, on condition that it concluded that the data in the deposit request match those in the fund manager's report of the change, which it transmitted to the Securities Authority over MAGNA.
- b. **Canceling the registration of units in the distributor's name (hereafter: "withdrawal") and registering a client in the fund manager's Register of unit holders**

The withdrawal of units registered to a client's credit with a distributor and registration of the said units in the client's name in the fund's Register of unit holders shall not be permitted.

6. **Cessation of an offer and of units and their redemption**

- a. A representative member shall inform the Clearing House, by use of the form attached to the By-laws as Appendix 19"C", and also the distributors as soon as possible of any event, because of which the fund it represents is prevented from offering its units or from redeeming them. If the notification is received by the Clearing House after distributors have begun to transmit to the Clearing House orders to create and orders to redeem, the procedure of accepting orders to create

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and of orders to redeem, as the case may be, and of transmitting them to the representative members shall be stopped. The orders transmitted until that time shall be canceled.

- b. No later than on the day on which a prospectus of a fund for which it is the representative member is published, the representative member shall inform the Clearing House by use of the form attached as Appendix 19"C" to the By-laws of the last date for the submission of orders to create under the prospectus, and of the days known when the prospectus was published, on which the fund will not be able to offer or to redeem units. On those days orders for to create or to redeem units in that fund will not be accepted from distributors..

7. **Exercise of rights attached to units**

- a. Representative members shall give the Clearing House written notice of the Fund Manager's intention to distribute dividends in cash or in bonus units. The notification shall include particulars of the date, on which the dividend will be distributed, of its rate and of the determining day for the distribution, as specified below.
- b. Distributors shall credit their clients for every payment of cash dividends and for bonus units, which they received in respect of the units to which their clients are entitled.
- c. The payment of a dividend in cash or by bonus units shall be carried out according to the total of units registered on the record date in the Clearing House records to the distributor's credit.
- d. **Cash dividend**
 - 1) Written notice that a cash dividend is to be paid shall be transmitted to the Clearing House by the representative member at least four days before the record date.
 - 2) The time of payment for the distribution of a cash dividend of a fund shall be not earlier than the second trading day after the record date and not later than the eighteenth trading day after the record date.
 - 3) A written notice of the rate of the dividend distributed to every unit in a fund shall be delivered to the Clearing House by the representative member not later than 12:00 noon on the trading day before the day of payment.
 - 4) The representative member shall transmit to the Clearing House the money for distribution to the distributors not later than 11:00 AM on the day of payment, and the Clearing House shall credit the accounts of the distributors accordingly.
- e. **Bonus units**

- 1) A written notice that bonus unit will be distributed shall be communicated to the Clearing House by the representative member at least four trading days before the record date.
- 2) On the record date the representative member shall deliver to the Clearing House certification of the total number of bonus shares to which each distributor is entitled (hereafter: "bonus units certification").
- 3) The Clearing House shall enter the bonus units to the credit of the distributors on the first trading day after the record date according to the bonus units certification.

f. **Merger of funds**

The representative member shall inform the Clearing House, by use of the Form attached to the By-laws as Appendix Nineteen "D", of a merger of mutual trust funds and of the number of units in the fund created in consequence of the merger, to which each holder of a unit in each of the merging funds is entitled.

g. **Split of funds**

The representative member shall inform the Clearing House, by use of the Form attached to the By-laws as Appendix Nineteen "E", of the split of a fund and of the number of units in the funds created in consequence of the split, to which each holder of a unit in the splitting fund is entitled.

h. **Liquidation of a mutual trust fund**

The representative member shall give the Clearing House written notice of the liquidation of a fund.

In the notice the representative member shall state the date, on which the fund will be liquidated, and the payment that will be transferred to any person who holds a unit in the fund at the time of its liquidation.

8. **Control and reporting**

- a. On each business day the Clearing House shall send to the Fund Manager – through the representative member – a breakdown of all the units registered to the credit of each distributor in each of its subaccounts at the Clearing House.
- b. Not later than the first business day after the day on which the Clearing House sent the breakdown said in subsection a. above, the representative member must transmit certification from the Fund Manager to the Clearing House, according to which the total number of units reported by the Clearing House as said in subsection a. above matches the total numbers of units to which each of the distributors is entitled according to the record in the fund's books.

A representative member who did not deliver a different written notice to the Clearing House by the end of the aforesaid business day shall be deemed to have delivered certification from the Fund Manager to the Clearing House, according to which the total number of units – as reported by the Clearing House as said in

subsection a above – conforms to the total number of units to which each of the distributors is entitled according to the entries in the fund's books.

9. **Notifications of changes**

- a. A representative member shall give the Clearing House written notice of every change in the particulars of the fund, and also notice about the liquidation of the fund, the merger of funds and the split of funds (hereinafter: "the change"), as specified in this Chapter. The Clearing House shall update the change in the fund, as specified in the representative member's notice, on the trading day after the day on which the notice was received.

- b. Notwithstanding the aforesaid, the Clearing House may postpone the date on which the change in the fund is updated, if the notice of the member' who represents the fund refers to a change that will occur in more than three funds. If the Clearing House postponed the updating date of the change as aforesaid, then it shall so inform the representative member, coordinate with him another date for making the change, on condition that the new date for the required change be within ten trading days after the date on which the aforesaid notice was received.

CHAPTER THIRTEEN- CLEARING SECURITIES NOT LISTED
FOR TRADING ON THE EXCHANGE (NLT)*

1. The General Manager of the Clearing House shall approve the provision of clearing services for securities that are not listed for trading on the Exchange (hereafter: "NLT"), subject to the condition that the said clearing services will not require special operational arrangements, and that the Clearing House is capable of providing the said services.

The General Manager of the Clearing House may decide that the Clearing House will not provide clearing services for aforesaid securities, if in his opinion clearing those securities will require special operational arrangements. The General Manager's decision not to provide clearing services as aforesaid may be appealed before the Board of Directors.

2. The provisions of the By-laws shall apply to the registration of NLT in the Clearing House and to the clearing of NLT, mutatis mutandis and with adjustments to conditions prescribed in this chapter.
3. The provisions of the By-laws that apply to the clearing of off-Exchange transactions shall apply to the clearing of NLT transactions, mutatis mutandis and with the adjustments and the conditions prescribed in this chapter.
- a. An NLT issuer, who wants to receive clearing services from the Clearing House for the NLT that he issued shall address to the Clearing House an application that includes the following particulars (hereafter: application)::
 1. the name of the NLT;
 2. the quantity of the NLT that the issuer requests be listed at the Clearing House for trading;
 3. the name of the nominee company in the name of which the NLT will be allocated;
 4. the conditions of the NLT, including the rights attached to the NLT and the conditions for realization of those rights.
 5. an undertaking to observe the By-laws
- b. If under the trust deed a trustee was appointed for the NLT holders, the trustee shall certify by his signature on the application that the data communicated by the issuer and included in the application correctly reflect the conditions of the NLT, as determined in the trust deed, and that he knows that the Clearing House will provide clearing services only in accordance with the data included in the application.

The application to the Clearing House shall be according to the formulation attached to the By-laws as Appendix Twenty.

* This Chapter was added in December 2001
The letter of allocation shall be in the formulation attached to the By-laws

5. After certification was received from the Manager of the Clearing House that the Clearing House will provide clearing services for the NLT, the NLT shall be listed at the Clearing House. To the listing of the NLT at the Clearing House shall apply, mutatis mutandis, Section 3 in Chapter Three of this Part , as well as these adjustments:
 - a. section 3.b.3) shall not apply to a body corporate that is not obligated to report under the Securities Law 5728-1968;
 - b. instead of the certification from the Stock Exchange, that is required according to section 3.b.5), the issuer of the NLT shall deliver the aforesaid certification from the Manager of the Clearing House to the nominee company.
6. The Clearing House shall provide clearing services only for the quantity of NLT that is listed with the Clearing House according to the said application that was approved and only in accordance with the data included in the application.
7. The issuer shall report to the Clearing House all the information connected to the NLT or to the issuer, which requires the Clearing House to take action in connection with the NLT.

The Clearing House shall provide clearing services on condition that the issuer delivers to the Clearing House reports as required for the performance of the clearing, and on condition that the reports reach the Clearing House in accordance with the timetables prescribed in the By-laws.

8. The Clearing House shall perform the clearance of transactions or acts with NLT subject to the following:
 - a. a request to clear securities, which stems from a transaction or act with NLT, and which refers to an actual quantity of securities to the credit of a member who wishes to transfer or sell the security, which is greater than the balance in the sub account to which the application refers, shall not be carried out at all and shall be returned to the member who wishes to transfer or sell the security, stating the reason therefore.

The Clearing House shall also notify the other party to the transaction or act that was not carried out, that it was not carried out, without stating the reason therefor.

- b. A request to clear a transaction or act with NLT, for which the full amount of the consideration was not cleared on the date on which it was supposed to be carried out shall not be carried out at all.

If a transaction or act was not carried out as aforesaid, the Clearing House shall inform the members who were party to the transaction or act.

9. **Clearing NLT that were issued under Regulation S**

- a. In this section –

"**Reg. S**" – Regulation S, which was enacted by the United States Securities and Exchange Commission by virtue of the American Securities Act of 1933 (hereafter: American securities law), as it will be from time to time;

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"Reg. S securities" – securities to which, according to the issuer's notification, the restrictions of Reg. S apply;

"Reg. S. NLT" – Reg. S securities that are not listed for trading on the Stock Exchange.

b. In addition to the provisions in this Chapter, the following provisions shall apply to the listing of NLT securities with the Clearing House and to clearing them:

1) The issuer of a Reg. S security shall attach the following documents to his application for listing the NLT, as said in section 4.a. above:

(a) an application to list the Reg. S NLT, which shall include:

- a declaration by the issuer, according to which it is forbidden to transfer the securities otherwise than in accordance with the securities laws of the United States and of Israel, and that it will not be possible to transfer the securities without the advance approval of the issuer, as long as all the restrictions and conditions prescribed by Reg. S have not been removed;
- a declaration by the issuer that the Clearing House will not be required to clear the Reg. S NLT, as long as the issuer's approval, as specified in subsection 3) below, has not been received;
- a request by the issuer that the securities be marked Reg. S NLT;
- a declaration by the issuer that it understands that, if it requests removal of the mark, it will not be entitled to request that the securities again be marked; further it shall not be entitled to request that other securities of the same Reg. S. NLT series be so marked.

The application shall be as formulated in Appendix Twenty "A", which is attached to the By-laws;

(b) the professional opinion of an advocate qualified to practice in the United States, addressed to the Clearing House and stating that it is not obligatory to list the Reg. S NLT under the American securities law, that there is nothing to preclude offering the Reg. S NLT in Israel and that there is nothing to hinder the Clearing House from clearing them.

2) When the Reg. S NLT are listed at the Clearing House, the securities shall be marked in a manner that will be prescribed by the Clearing House, and that up to the time when the conditions ripen that will allow removal of the mark, as said below.

The issuer may submit to the Clearing House an opinion by an advocate qualified to practice in the United States, which is addressed to the Clearing House, states that the securities, which the issuer had ordered to be marked Reg. S NLT, are "unrestricted", within the meaning of that term in American securities law, and requests that the said mark be removed from the securities.

When the mark has been removed from the Reg. S NLT as aforesaid, the issuer shall not be entitled to request that other securities of the same series be marked Reg. S NLT.

- 3) To the request for a clearing act, as part of which Reg. S NLT are to be transferred between two members, shall be attached the issuer's approval of the clearing act, in which the issuer shall declare that performing the clearing act does not constitute a violation of Israeli securities law and / or does not constitute a violation of American securities law, and that it received from the Clearing House members involved in the transaction all the necessary certifications that performance of the clearing act does not constitute a violation of Israeli securities law and / or does not constitute a violation of American securities law.

The issuer shall also declare that it agrees that – in order to perform the clearing act – the Clearing House depend on the exhibits specified above and on the exhibits specified in the application to list the Reg. S NLT that it submitted as said in subsection 1) (a) above, and that no independent examination whatsoever shall be required.

The issuer's approval shall be as formulated in Appendix Twenty "B", which is attached to the By-laws.

If the approval by the issuer is not attached to the request to clear the Reg. S NLT, then the request shall not be carried out and it shall be returned to the member that asked to transfer the Reg/ S NLT, together with a statement of the reason therefor.

- 4) On the certificate or letter of allocation of a Reg. S. NLT, which the issuer will deliver to the nominee company, shall be imprinted the Legend on the restricted transferability of the securities that is required according to Reg. S.

**CHAPTER FOURTEEN- CLEARING ISRAELI DCS, WHICH
ARE DEPOSITED WITH THE DTC**

1. a. The provisions of this chapter shall apply to the clearing of Israeli DCS held by the Clearing House with the DTC, and that in addition to the provisions of the other By-laws, which shall apply mutatis mutandis and subject to the provision that section 1.a. in Chapter Two of this Part of the By-laws, and section 2.e. in Chapter Three of this Part of the By-laws do not apply to the aforesaid Israeli DCS.
- b. The Clearing House shall not keep the securities specified below in the account of the Clearing House with the DTC, and it shall not provide clearing services for them under this Chapter: rights, options, convertible debentures.
- c. If a company with Israeli DCS wants to make an offering by way of rights, the following shall apply:

1. The company shall address its Transfer Agent and instruct it to allocate all the rights in respect of the Israel DCS that are held in the account of the Clearing House with the DTC to the company's nominee company in Israel.

The company's instruction shall also be addressed to the Clearing House.

The Clearing House shall – upon the company's application – express its agreement that the Transfer Agent act according to the company's aforesaid instruction.

The company's application shall be as formulated in Appendix Twenty-five "A" that is attached to the By-laws and it shall include the company's undertaking to indemnify, as specified in the said Appendix Twenty-five "A".

2. When the company's application said in subsection 1. has been received at the Clearing House, the Clearing House shall give notice to the DTC that it waives receipt of the rights that are in its account with the DTC.

The notice from the Clearing House shall be as formulated in Appendix Twenty-five "B" that is attached to the By-laws and it shall include the Clearing House' undertaking to indemnify, as specified in the said Appendix Twenty-five "B", or it shall be formulated in a similar manner that will be agreed between the Clearing House and the DTC.

3. When the notice from the Clearing House said in subsection 2. has been received by the DTC, the DTC shall inform the Transfer Agent that it waives receipt of the rights in respect of the quantity that is in the Clearing House account with the DTC. The DTC shall also instruct the Transfer Agent to deal with those rights as the Clearing House will instruct him

The notice from the DTC to the Transfer Agent shall be as formulated in Appendix Twenty-five "C" that is attached to the By-laws, or it shall be formulated in a similar manner, as the DTC shall decide

- d. In its DTC account the Clearing House shall not keep Israeli DCS of companies,

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the securities of which were listed for trading on the Tel Aviv Stock Exchange before they were listed for trading in the United States and it shall not provide clearing services for them under this Chapter, unless the said company signed the Appendix to the agreement between the Clearing House and DTC, which is here attached as Appendix Twenty-four.

The provisions of this paragraph shall not apply to a company, the securities of which were listed for trading in the United States before July 1, 2006.

2. Israeli DCS held in the account which the Clearing House keeps in its name with the DTC, shall be entered in the register of the company's shareholders in the United States, in the name of the company that acts on behalf of the DTC and which is the nominee company in respect of those DCS.
3. The General Manager of the Clearing House may at any time transfer the Israeli DCS registered to the credit of the Clearing House in its account with the DTC, and register them in the shareholders register in Israel in the name of the issuer's nominee company.
4. If a member wishes to transfer to the Clearing House Israeli DCS deposited with the DTC to the credit of a DTC member, in order to have them registered to his credit with the Clearing House, then he may do so by depositing the Israeli DCS in the account of the Clearing House with the DTC.

Israeli DCS deposited in the account of the Clearing House with the DTC shall be registered at the Clearing House to the member's credit and shall be treated like any other security traded on the Tel Aviv Stock Exchange and registered at the Clearing House to the member's credit.

5. The deposit of Israeli DCS to the member's account with the Clearing House (hereafter: "RF") shall be carried out in the manner specified below:
 - a. A member who wishes to deposit Israeli DCS in his account at the Clearing House shall submit to the Clearing House a request to perform an RF act, formulated as shown in Appendix 21 or in Appendix 21A.

Clearing an RF act by the Clearing House will be subject to the condition that there is perfect conformance between the request submitted by the member and the quantity actually deposited to his credit in the account of the Clearing House with the DTC.

A request to perform an RF act, which in any detail does not fully conform to the deposit actually made in the account of the Clearing House with the DTC, shall not be carried out at all and shall be returned to the member, stating the reason therefor.

If, until the next trading day, the member does not send a new request that absolutely conforms to the deposit actually made in the account of the Clearing House with the DTC, the Clearing House shall return the Israeli DCS deposited in its account to the DTC member that deposited them in its account and inform the member thereof.

- b. If Israeli DCS were deposited in the account of the Clearing House with DTC to a member's credit, but the Clearing House did not receive any request from the

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member to perform an RF act as required, then the Clearing House shall not perform the act.

If, until the next trading day after the day on which the Israeli DCS were deposited in the account of the Clearing House as aforesaid, the member transmitted a request to perform an RF act, then the Clearing House shall perform the act.

If no request for performance was transmitted by the said time, then the Clearing House shall return the Israeli DCS to the DTC member who deposited them in its account and inform the member thereof.

- c. The Clearing House may refrain from clearing acts during the period which begins five trading days before the determining date for entitlement to a payment or to a benefit and which ends on the date for the payment in Israel or on the date for the payment in the United States, whichever is later.

If the Clearing House decided as aforesaid and if during the said period securities were deposited to a member's credit in the account of the Clearing House with DTC, then the Clearing House shall return the securities that were deposited as aforesaid to the DTC member who deposited them in the Clearing House account, and it shall so inform the member.

- 6. Withdrawals of Israeli DCS from the Clearing House and their transfer to a DTC member (hereafter: "DF") shall be carried out in the manner specified below:
 - a. A member who wishes to withdraw Israeli DCS from his account at the Clearing House shall submit to the Clearing House a request to perform a DF act, formulated as shown in Appendix 22.
 - b. A request to perform a DF act, which refers to a quantity of securities greater than the balance actually registered to the requesting member's credit in the subaccount to which the request refers, shall not be carried out at all and shall be returned to the requesting member, stating the reason therefor.
 - c. A request for the performance of a DF act in respect of a quantity of securities greater than the balance registered to the credit of the Clearing House in its account with DTC shall not be carried out at all and shall be returned to the requesting member, stating the reason therefor.

In such an instance the member shall have the right to request that the Clearing House perform for him one of the following alternatives:

- 1) a DF act in respect of a quantity that does not exceed the balance of that Israeli DCS registered to the credit of the Clearing House with DTC;
- 2) an act said in paragraph 1), together with an act of withdrawal in respect of the balance, clearing of which is requested;
- 3) an act of withdrawal in respect of the entire quantity, clearing of which is requested.

A request for the performance of any of the acts said above shall be submitted to the Clearing House on the appropriate form, as prescribed in the By-laws.

The Clearing House shall clear the acts in separate clearing.

- d. The Clearing House may refrain from performing a DF clearance act during the period that begins on the determining day for entitlement to a payment or benefit, and that ends on the day of payment in Israel or on the day of payment in the United States, whichever is later.

If the Clearing House decided as aforesaid, then it shall so inform the members.

7. a. Cash dividends in respect of Israeli DCS kept in the account of the Clearing House at the DTC shall be paid in Israel, through the nominee company in Israel and the coordinating bank, in accordance with the provisions of the agreement between the Clearing House and DTC, the text of which is here attached as Appendix 23 (hereafter: "the dividend agreement"), on condition that the issuer signed the supplement to the dividend agreement, the text of which is here attached as Appendix 24, and that the issuer's transfer agent in the United States signed the supplement to the dividend agreement, the text of which is here attached as Appendix 25.
- b. The following shall apply to Israeli DCS kept by the Clearing House at DTC, on which dividends are paid in Israel, as said in subsection a. above:
- 1) within three business days after the record date for the payment of the dividend the Clearing House shall notify DTC not to pay the dividend to the Clearing House through its account with DTC in respect of a quantity of Israeli DCS stated in the Clearing House's notification, which shall not exceed the quantity held in the account of the Clearing House with DTC on the record date (hereafter: "quantity of shares for payment in Israel"). The Clearing House shall send a copy of this notification to the issuer and to the coordinating bank.
 - 2) No later than 24 hours before the date of payment, the issuer shall deliver a financially backed payment order in respect of the quantity of the Israeli DCS for payment in Israel to the nominee company's account at the coordinating bank.
 - 3) The provisions of sections 2, 4, 13 and 14 of Chapter Nine in Part Two of the By-laws shall apply – mutatis mutandis – to the payment of dividends in respect of the quantity of Israeli DCS for payment in Israel.
8. If a company offered Israel DCS by way of rights, and if in its offering it determined that there shall not be a trading day for the rights, then the following provisions shall apply instead of the provisions of section 7 in Chapter Nine of this Part of the By-laws:
- a. The times in the rights offering shall be prescribed by the company in accordance with the following:
- 1) the last date for delivery of the clients' orders to the Stock Exchange

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members shall be the business day between the eighteenth business day after the day of allocation and the twenty-sixth business day after the day of allocation;

- 2) the last date for the delivery by Clearing House members of requests to utilize rights shall be at 9 AM of the second trading day after the date set by the company as the last date for the delivery of clients' orders to Stock Exchange members, as said in subsection 8.a.1) above (hereafter: "last date for delivery of requests to utilize").
- b.
- 1) On the day of allocation the nominee company shall credit the Clearing House through the coordinating bank with the entire quantity of rights due to it on the basis of the quantity that stands to its credit on the record date in its account at the nominee company and in the account in the name of the Clearing House with DTC. The quantity of rights credited to the Clearing House shall be distributed to the accounts of the members, so that each member will be credited with number of rights that accords with the number of securities entitled to the rights that was registered to his credit at the Clearing House on the record date for the rights.
 - 2) Members shall not be able to withdraw rights from their accounts with the Clearing House or to transfer them to other members.
 - 3) If a client wishes to have rights entered to his credit in the issuer's register to be entered to his credit with a Stock Exchange member, he shall do that by means of a deposit after the record date for the rights, but not later than three trading days before the last date for delivery of requests to utilize.

The provisions of section 5.c. in Chapter Three of Part Two of the By-laws shall apply to a said deposit.

To the request by a client to make the deposit shall be attached a written order addressed to the Stock Exchange member, instructing him what to do with the rights that will be registered to his credit as aforesaid, and that in accordance with the possibilities specified in section 8.c. below.

- c. Stock Exchange members shall send a notice to the clients on their books on the record date for the rights, informing them that – in accordance with the conditions of the rights offering – there will be no day for trading rights. In the notice the members shall specify the ways of action open before the clients in respect of the rights entered to their credit and request that they instruct them –
- 1) to utilize all or some of the rights; or –
 - 2) not to utilize the rights.

If the rights offering included the possibility of utilizing rights that were not utilized by other clients (hereafter: "surplus rights"), the Stock Exchange Members' notices shall also specify that possibility.

The Stock Exchange members shall state that, if no instructions at all are received from a client until the last date for the delivery of requests to utilize, which was set as said in subsection 8.a.1) above, that will be taken to mean that the client declared that he is not interested in utilizing the rights registered to his credit, that he declared that he is aware of the fact that his holding in the company will be

diluted and that there it is not possible for him to receive any consideration for the rights, since there is no trading in the rights and it is not possible to transfer them to others.

- d. 1) Not later than on the last date for the delivery of requests to utilize each Clearing House member shall submit a written request to utilize rights – separately for each of his subaccounts, according to the formulation attached to the By-laws as Appendix Fifteen, and that for the quantity of rights that stands to his credit in each subaccount with the Clearing House. If the rights offering includes the possibility of utilizing surplus rights, the member shall submit his application for utilization of the said rights according to the formulation attached to the By-laws as Appendix Fifteen "A". The request shall state the quantity of surplus rights that the member's clients asked to utilize, as well as the member's declaration that all the clients who asked to utilize surplus rights concurrently asked to utilize all the rights allocated to them in the rights offering.
- 2) If a member does not submit an aforesaid request, to utilize, the Clearing House shall take that to mean that the member declared that he is not interested in utilizing the rights registered to his credit and the rights shall lapse.

However, if the rights offering includes the possibility of utilizing surplus rights the rights shall lapse on the day on which the member is credited with the quantity of Israel DCS to which he is entitled.

- 3) Not later than at 12 noon on the last date for the delivery of requests to utilize, the Clearing House shall transmit an order to the nominee company, addressed to the company, for the utilization of the total quantity of rights that the members of the Clearing House wish to utilize.
If the rights offering includes the possibility of utilizing surplus rights, the Clearing shall transmit – in addition to the aforesaid order – an order for utilization of the total quantity of surplus rights that the members of the Clearing House have asked to utilize.

The said order shall be transmitted by the nominee company to the company not later than at 12:00 noon of the trading day after the day on which it received the order from the Clearing House as aforesaid

- 4) If a request for the utilization of rights refers to a quantity of rights greater than the quantity registered to the member's credit in the subaccount to which the request refers, it shall not be carried out at all and it shall be returned to the member that sent it.

If a request for the utilization of surplus rights refers to a quantity of surplus rights greater than the quantity of surplus rights that the member is entitled to request to utilize in accordance with the conditions of the rights offering in the subaccount to which the request refers, it shall not be carried out at all and it shall be returned to the member that sent it.

- 5) The member who submits a request for the utilization of rights is responsible for all the consequences that stem from any error that is included in the utilization request.
- e. 1) In this subsection, "trading day" – a day on which trading takes place both in Tel Aviv and in the United States.

Not later than five trading days after the day on which the nominee company transmitted the Clearing House order said in the above subsection 8.d.3) to the company, the company shall credit the Clearing House, through the nominee company, with the quantity of Israel DCS that stems from utilization of the rights by those who are entitled thereto, and – if the rights offering included the possibility of utilizing surplus rights – also the quantity of Israel DCS that stems from utilization of the surplus rights by those entitled thereto. Alternatively, and subject to the provisions of section 8.h. below, the company may credit the Clearing House with the quantity of Israel DTC to which it is entitled through its accounts with the DTC.
 - 2) When the Clearing House is credited with the quantity of Israel DCS as specified in the above subsection 8.e.1), the company shall also give a notice to the Clearing House through the nominee company, specifying the quantity of surplus rights to which the clients who asked to utilize surplus rights were actually entitled and the quantity of Israel DCS that was credited to the Clearing House in consideration of the surplus rights.
 - 3) The quantity of Israel DCS that was credited to the Clearing House shall be distributed to the members' accounts, so that each member will be credited with the quantity to which he is entitled.
- f. On the day on which a member was credited with the quantity of DCS to which he is entitled, the Clearing House shall debit the member for the monetary consideration due from him in respect of the utilization of rights that he actually utilized and it shall credit the amount due for the members' utilization of the rights to the account of the nominee company at the coordinating bank.
 - g. The credits and debits said in the above subsections 8.e. and 8.f. shall be conditional, as specified in section 3. of Chapter Nine in Part Two of the By-laws.
 - h. If the securities obtained by utilizing rights through the Clearing House are options or convertible debentures, those securities shall be registered in the name of the nominee company and deposited at the coordinating bank to the credit of the Clearing House. When a member wishes to exercise the options or to convert the convertible debentures that were deposited in the account of the Clearing House as aforesaid, then that shall be done in accordance with the provisions in Chapter Ten of Part Two of the By-laws.
 - i. If a rights offering includes the possibility of utilizing surplus rights, then it shall not be possible to utilize the rights on a current basis.

CHAPTER FIFTEEN- CLEARING FOREIGN DCS**General**

1. The provisions of this Chapter shall apply to the clearing of foreign DCS, and that in addition to provisions of the other By-laws which shall apply, mutatis mutandis, and subject to the following provisions of Part Two of the By-laws not applying:
 - a. sections 1.a., 7.b. and 8 in Chapter Two;
 - b. Chapter Three;
 - c. paragraphs 2, 5 and 14 in section 3, Chapter Five;
 - d. Chapters Nine, Ten and Eleven.
2. The Clearing House shall keep the foreign DCS, which on its books are registered to the credit of the members, in an account in its name with DTC.
3. Foreign DCS shall be registered in the company's Register of Shareholders in the United States in the name of the company that acts on behalf of DTC and which is the nominee company in respect of those securities.

Deposit and Withdrawal

4. If a member wishes to transfer to the Clearing House foreign DCS which are deposited with DTC to the credit of a DTC member, in order to have them registered to its credit at the Clearing House, then it may do so by way of depositing foreign DCS in the Clearing House account at DTC.

It is not possible to deposit physical certificates of foreign DCS in the Clearing House account at DTC.
5. The deposit of foreign DCS in the member's account with the Clearing House (hereafter: "RF") shall be carried out in the manner specified below:
 - a. If a member wishes to deposit foreign DCS in his account with the Clearing House, then he shall submit a request to the Clearing House to perform an RF act, formulated as shown in the attached Appendix 21 or 21"A".

Clearing the RF act by the Clearing House is conditional on there being perfect conformance between the request submitted by the member and the quantity he wishes to deposit to his credit in the account of the Clearing House with DTC.

A request to perform an RF act, which in any detail does not fully conform to the deposit that was made in the account of the Clearing House with DTC, shall not be carried out at all and shall be returned to the applicant, with the reason therefor stated.

If, until the next trading day, the member does not send a new request, which absolutely conforms to the deposit actually made in the account of the Clearing House with DTC, then the Clearing House shall return the foreign DCS deposited in its account to the DTC member, who deposited them in its account and so inform the member.

- b. If a foreign DCS was deposited to a member's credit in the Clearing House account with DTC, but no request by the member to perform an RF act was received by the Clearing House, as required, the Clearing House shall not perform the act.

If the member transmitted a request for performance of an RF act up to the next trading day after the day on which the foreign DCS was deposited in the said Clearing House account, the Clearing House shall perform the act.

If a request for the performance was not transmitted up to the said date, the Clearing House shall return the foreign DCS to the DTC member who deposited it in its account and is shall so inform the member.

- c. The Clearing House may refrain from performing RF acts during the period that begins five trading days before the record date for entitlement to a payment or to a benefit, and that ends on the payment date in Israel or on the payment date in the United States, whichever is later.

If the Clearing House decided as aforesaid and if securities were deposited in the Clearing House account with DTC to the member's credit, the Clearing House shall return the securities that were deposited as aforesaid to the DTC member who deposited them in its account and is shall so inform the member.

6. If a member wishes to withdraw foreign DCS from the Clearing House, then he shall give the Clearing House a DF instruction to transfer the securities registered with the Clearing House in his name to the account of a DTC member.

It is not possible to withdraw physical certificates of foreign DCS from the account of the Clearing House.

7. Withdrawals of foreign DCS from the Clearing House and their transfer to a DTC member (hereafter: "DF") shall be carried out in the manner specified below:

- a. The member who wishes to withdraw foreign DCS from his account at the Clearing House shall submit to the Clearing House a request to perform a DF act, formulated as shown in Appendix 22.
- b. A request to perform a DF act, which refers to an actual quantity of securities greater than the balance registered to the requesting member's credit in the subaccount to which the request refers, shall not be carried out at all and shall be returned to the requesting member, stating the reason therefor.
- c. The Clearing House may abstain from performing DF acts during the period that begins on the record date for entitlement to a payment or to a benefit, and that ends on the payment date in Israel or on the payment date in the United States, whichever is later.

If the Clearing House decided as aforesaid, it shall so inform the members.

Payments by Companies (Corporate Actions & Incomes)

8. A foreign company shall give the Exchange particulars of all the dates connected to Corporate Actions and Incomes (hereafter: "payments by companies"), including dividends, interest, rights and bonuses, and that no less than seven business days before the determining date for the payment.
9. Payments by companies, other than rights, which will be received in respect of foreign DCS that is deposited in the Clearing House account with DTC, shall be transferred by the Clearing House to the account of the Clearing House in Israel. The Clearing House shall transmit the companies' payments to the members according to the balances actually registered to their credit at the Clearing House within one business day after the day on which the account of the Clearing House in Israel was credited with the payment. If that day is not a value day for clearing the currency in which the payment was received, then the Clearing House shall transmit the companies' payments to the members on the first following business day, which also is a value day for clearing the currency in which the payment was received.
10. In instances, in which the member's response to a notice on payments by companies is needed (hereafter: "response"), the member shall send the response to the Clearing House up to and no later than the time set by the Clearing House for the response to that notice.
11. After it received the member's response, the Clearing House shall send DTC a response which shall include the particulars given in the member's response.
- 11A. The following provisions shall apply to a company that has a foreign dual clearing security (DCS) and that proposes to make a rights offering:
 - a. The company shall appoint a nominee company in Israel and allocate to it all the rights that will be allocated in respect of the foreign DCS, which is held in the account of the Clearing House with DTC, as well as all the securities that will be received from the exercise of the rights that will be allocated to the nominee company as aforesaid. The aforesaid securities shall be registered with the Clearing House in accordance with the provisions of Chapter Three of this Part of the By-laws.
 - b. The company shall address a request to its Transfer Agent and instruct him to allocate to the nominee company in Israel all the rights in respect of the foreign DCS that are held in the account of the Clearing House with DTC.

The company's request shall also be addressed to the Clearing House.

The Clearing House shall approve – on the company's application – that the Transfer Agent act according to the company's aforesaid instructions.

The company's application shall be formulated in accordance with Appendix 25 "A", which is attached to the By-laws, and it shall include the company's undertaking to indemnify, as specified in the said Appendix 25 "A".

- c. When the company's request said in subsection b. has been received by the Clearing House, the Clearing House shall notify DTC that it waives receipt of the rights that are in its account with DTC.

The notification of the Clearing House shall be formulated in accordance with Appendix 25 "B", which is attached to the By-laws, and it shall include the undertaking of the Clearing House to indemnify, as specified in the said Appendix 25 "B" or formulated in a similar manner, as will be determined between the Clearing House and DTC.

- d. When DTC has received the notification said in subsection c from the Clearing House, DTC shall inform the Transfer Agent that it waives receipt of the rights in respect of the quantity in the Clearing House account with DTC, and DTC shall also instruct the Transfer Agent to deal with those rights as the Clearing House will instruct it.

The notification of DTC to the Transfer Agent shall be formulated in accordance with Appendix 25 "B", which is attached to the By-laws, or formulated in a similar manner, as shall be determined by DTC.

- 11B. When a company has offered a foreign DCS by way of rights, the provisions of section 7 in Chapter Nine of this Part of the By-laws shall apply; however, if in its offer the company determined that there will be no trading day in rights, the provisions of section 8 in Chapter Fourteen of this Part of the By-Laws shall apply, all mutatis mutandis.

12. **Voting rights and issuing proxies**

The Clearing House shall transmit notices about proxies to the members, as will be transmitted to it by DTC.

13. **Deduction at the source of Israel tax**

- a. Members are liable to tax deduction at the source from interest, dividends and amounts for the sale of foreign DSC (hereafter: "the payment") which are held by the Clearing House, as if they had received the payment directly from DTC, even if the obligation to deduct at the source does not apply to them. Thus, for instance, a member will be liable to tax deduction at the source by being the "recipient", within its meaning in section 161 of the Income Tax Ordinance, and by being a "liable person", as defined in the Income Tax Order (Determination of the Consideration from the Sale of a Foreign Security as Income and Tax Deduction at the Source from the Consideration) 5752-1992.
- b. Members shall transmit to the Clearing House an undertaking to deduct tax at the source in respect of clearing services for a foreign company, formulated as shown in Appendix 26. A copy of this undertaking shall be transmitted to the Income Tax Commission.

14. **Aspects of United States taxation**

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The following provisions shall apply to DCS of a foreign company incorporated in the United States:

- a. The Clearing House shall provide clearing services for foreign DCS of a foreign company incorporated in the United States only to members who are qualified intermediaries (QI) according to certification from U.S. tax authorities (IRS). The member shall transmit to the Clearing House a declaration formulated as shown in Appendix 27.
- b. In all matters connected to a member's activity abroad, which is connected to foreign clearing services, the member shall act in accordance with the provisions of the applicable statutes, including U.S. law and including the income tax law in effect in the United States.
- c. The members shall deliver to the Clearing House all the information and documents required by U.S. tax authorities in connection with the services provided to the member through the Clearing House, as well as all other information and documents required in accordance with the agreement.
- d. Services provided by the Clearing House to a non-withholding QI in relation to foreign DCS of a company incorporated in the United States shall be only for clients who are not U.S. citizens or residents, and who are not subject to the provisions of the FATCA, insofar as they relate to tax deduction at source

A said member shall sign an undertaking formulated as shown in Appendix 28.

**CHAPTER SIXTEEN- MAOF CLEARING HOUSE COLLATERAL ACCOUNTS
AND CLEARING HOUSE COLLATERAL ACCOUNTS**

Maof Clearing House collateral accounts

1. The following terms shall have the meaning said here, unless a different meaning is expressly stated:

"**main Maof collateral account**", dedicated by the Maof Clearing House to each member who is a member of the Maof Clearing House – an account (including all its subaccounts) kept at the Clearing House in the name of the Maof Clearing House, intended for the deposit of securities by the member who is a Maof Clearing House member, as collateral for the benefit of the Maof Clearing House;

"**additional Maof collateral account**" – an account (including all its subaccounts) kept at the Clearing House in the name of a member who is a Maof Clearing House member, intended for the deposit of securities by the member as additional collateral for the benefit of the Maof Clearing House (in addition to the collateral deposited in the main Maof collateral account and in the monetary bank account, which the Maof Clearing House dedicated to that member who is a member of the Maof Clearing House);

"**monetary bank account**", dedicated by the Maof Clearing House to each member who is a member of the Maof Clearing House – an account (including all its subaccounts) kept in the name of the Maof Clearing House at a bank selected for this purpose by the Maof Clearing House, intended for the deposit of cash by a Maof Clearing House member as collateral to the benefit of the Maof Clearing House.

2. **Main Maof collateral accounts**

- a. The Maof Clearing House shall open a number of accounts in its name at the Clearing House, in the number of members of the Maof Clearing House, and it shall dedicate one account to each member, to be used as the main Maof collateral account in which the member shall deposit the securities given by it as collateral to the benefit of the Maof Clearing House.
- b. The member, to whom an account is dedicated, shall submit to the Clearing House a request that it transfer securities to the Main Maof collateral account, using the application form for the transfer of securities to the main Maof collateral account, which is attached to the By-laws as Appendix Twenty-nine.
- c. The Clearing House shall carry out any request to transfer securities from a main Maof collateral account to any other account only after it has obtained approval from the Maof Clearing House, by means of an application form for the transfer of securities from a main Maof collateral account, which is attached to the By-laws as Appendix Thirty.

3. **Additional Maof collateral accounts**

- a. A member who is also a member of the Maof Clearing House shall open at the Clearing House an additional Maof collateral account and there it shall deposit securities given by it as collateral to the benefit of the Maof Clearing House.

- b. An order to transfer securities to the additional Maof collateral account shall be submitted to the Clearing House by the member for whom an account was opened, using a form for the transfer of securities to an additional Maof collateral account, which is attached to the By-laws as Appendix Twenty-nine.
- c. The Clearing House shall carry out an order to transfer securities from an additional Maof collateral account to any other account only after it has obtained approval from the Maof Clearing House, by means of a form for the transfer of securities from an additional Maof collateral account, which is attached to the By-laws as Appendix Thirty.

4. **Cash to be paid as income**

- a. Cash paid as income from securities deposited in a main Maof collateral account that is dedicated to a member, or cash derived from any other monetary right that stems from the said securities, including the monetary consideration derived from selling or exercising them, shall be deposited by the Clearing House in a monetary bank account, the particulars of which were communicated to the Clearing House by the Maof Clearing House.
- b. Cash paid as income from securities deposited in an additional Maof collateral account that is kept in the member's name, or cash derived from any other monetary right that stems from the said securities, including monetary consideration derived from selling or exercising them, shall be deposited in the monetary bank account, the particulars of which were communicated to the Clearing House by the Maof Clearing House.

In order to make the deposits said in this subsection above, every member for whom an additional Maof collateral account was opened hereby gives an irrevocable order to the Clearing House to transfer the aforesaid cash to the monetary bank account that is dedicated to the member, the particulars of which were communicated to the Clearing House by the Maof Clearing House.

- 5. a. All debits of the Clearing House in respect of a main Maof collateral account and of the securities deposited in it shall be borne by the member to whom the account is dedicated.
- b. All debits of the Clearing House in respect of an additional Maof collateral account and of the securities deposited in it shall be borne by the member who opened that account.

6. **Clearing House collateral account**

- 1.1 A request to transfer securities to a Clearing House collateral account, within its meaning in Chapter Three of Part One of the By-laws shall be submitted to the Clearing House by the member to whom the account is dedicated, using a request form for the transfer of securities to the Clearing House collateral account, which is attached to the By-laws as Appendix Thirty-one.

- 1.2 Without derogating from the provisions of section 7.2.1 of Chapter Three in Part One of the By-laws, if the member requested to transfer securities from a Clearing House collateral account to any other account, then he shall submit an application to the Clearing House, using a request form for the transfer of securities from a Clearing House collateral account, which is attached to the By-laws as Appendix Thirty-two.
7. All debits of the Clearing House in respect of the Clearing House collateral account and of the securities deposited in it shall be borne by the member to whom the account is dedicated.

CHAPTER SEVENTEEN – REGISTERING GOVERNMENT BONDS
AT THE CLEARING HOUSE AND THEIR REPURCHASE BY
THE MINISTRY OF FINANCE

Registration of Government Bonds

1. a. The provisions of this Chapter shall apply to the registration of Government bonds in addition to the provisions of the other By-laws that apply, mutatis mutandis, and subject to provision that sections 3 and 4 in Chapter Three of Part Two of the By-laws not apply.
 - b. Members, who desire that monetary clearing, which arises out of the procedure of registering Government bonds at the Clearing House, be carried out through the Clearing House, shall sign a Letter of Authorization as formulated in Appendix Forty-three to the By-laws, which authorizes the Clearing House to enter all the debits against the member's monetary account, as specified in sections 2 and 3 below, according to the instructions of the Ministry of Finance.

The Clearing House shall provide services connected to the registration of the Government bonds at the Clearing House, including monetary clearing, only after the member signed the aforesaid Letter of Authorization.*)
2. If the Clearing House received from the Ministry of Finance an order to deposit Government Bonds, as formulated in Appendix Thirty-Three to the By-laws, until 2:00 PM on any trading day and until 11:00 AM on any day that is not a trading day (hereafter: the day of the order), then the Clearing House shall do the following:
 - a. On the day of the order the Clearing House shall debit the member's account with the Bank of Israel for the full amount of consideration that he owes for the Government Bonds specified in the order, credit that amount to the account of the Ministry of Finance with the Bank of Israel and register the Government Bonds to the member's credit with the Clearing House.
 - b. The monetary debit of a NBM (non-bank member) shall be by means of debiting the account with the Bank of Israel of the MPMC (member that performs monetary clearing) for the NBM.
 - c. The Clearing House shall transmit the monetary debit to the system by means of a bi-lateral clearing order, as specified in Chapter Six of Part Two of the By-laws.
 - d. If the bi-lateral payment order was not cleared at the RTGS system within two hours after it was received by the RTGS system, then the order shall be canceled by the system and the Clearing House shall cancel the registration of the Government bonds in the member's account
3. If a deposit order said in section 2 is received after the time prescribed in section 2 above, it shall be treated as if it had been received on the first business day thereafter, and that day shall be deemed the date of the order.

4. For the members who requested that monetary clearing not be performed through the Clearing House, the Clearing House shall register the Government bonds to the member's credit on the day on which the Ministry of Finance deposits the Government Bonds with the Clearing House to the member's credit.
5. If a client wishes to withdraw Government Bonds that are registered in his name with a member and to register them in his own name in the Register kept as specified in section 9 of the State Loan Law 5739-1979 (hereafter: "withdrawal"), then the following provisions shall apply:
 - a. the client's request shall be submitted to the member in writing and it shall be accompanied by a letter of transfer (the "request"). If the client operates through an NCHM (not a Clearing House member), then the said request shall be delivered to the NCHM and it shall transmit it to the MPMC that clears for it;
 - b. the member shall transmit the request to the Ministry of Finance together with a withdrawal order, formulated as said in Appendix Thirty-Four to the By-laws.
 - c. a request to withdraw a quantity of Government Bonds greater than the balance registered to the member's credit in the subaccount to which the request refers shall not be acted upon at all and shall be returned to the member who transmitted it, with an explanation of the reason therefor. The Clearing House shall transmit a copy of any withdrawal request that was not carried out to the Ministry of Finance.

Repurchase by the Ministry of Finance

6. If the Clearing House received a clearing order from the Ministry of Finance in respect of a cash repurchase, as formulated in Appendix Forty-four to the By-laws (hereafter: "the order"), not later than 1:00 PM – and not later than 10:00 AM on Fridays, holiday eves, the intermediate days of Pessah and of Succot – (hereafter: "the day of receipt"), then the Clearing House shall perform the following acts:
 - a) debit the quantity of Government bonds specified in the order against the member's subaccount and credit that quantity to the subaccount of the Bank of Israel that is dedicated to the activity of the Ministry of Finance (hereinafter: "Ministry of Finance subaccount").
 - b) debit the consideration that the Ministry of Finance owes in respect of the Government bonds specified in the order against the Ministry of Finance account with the Bank of Israel and credit this amount to the selling member's monetary account.

The monetary credit of a NCHM shall be carried out by crediting the account with the Bank of Israel of the member that performs monetary clearing for the NCHM.
 - c) The Clearing House shall transfer the monetary debit to the RTGS system by means of a bilateral clearing order, as specified in Chapter Six of Part Two of the By-laws.

- d) If the bilateral payment order was not cleared by the RTGS system by the latest time for clearing, as defined in Part Two, Chapter Six, section 6.b.1) of the By-laws, then the order shall be canceled by the RTGS system and the Clearing House shall cancel the registration of the Government bonds in the Ministry of Finance subaccount.
7. If the Clearing House received a clearing order from the Ministry of Finance in respect of a swap, as formulated in Appendix Forty-five to the By-laws (hereafter: "the order"), not later than 1:00 PM – and not later than 10:00 AM on Fridays, holiday eves, the intermediate days of Pessah and of Succot – (hereafter: "the day of receipt"), then the Clearing House shall perform the following acts:
- a) debit the quantity of Government bonds specified in the order against the member's subaccount and credit that quantity to the Ministry of Finance subaccount;
- b) when the quantity of Government bonds said in subsection a) has been credited to the Ministry of Finance subaccount, then until the end of the day of receipt the Ministry of Finance shall send the Clearing House a deposit order, as formulated in Appendix Forty-six to the By-laws (hereafter: "deposit order");
- when the Clearing House has received the deposit order, then the Clearing House shall credit the quantity of Government bonds specified in the deposit order to the member's subaccount.
- c) If a deposit order specified in subsection b) above was not received by the Clearing House until the end of the day of receipt, then the Clearing House shall not credit the member's subaccount and it shall cancel the act specified in subsection a) above.
8. Repurchase transactions with the Ministry of Finance shall be cleared according to clearing orders that the Clearing House will receive from the Ministry of Finance alone, without receiving any certification from the member that is the other party to the transaction. The said clearing shall be carried out on condition that the member that is the other party to the transaction gave the Clearing House a Letter of Authorization, as formulated in Appendix Forty-three of the By-laws, which authorizes the Clearing House to enter all the debits in the member's subaccounts, as said in sections 6 and 7 above, according to instructions that the Clearing House will receive from the Ministry of Finance and without any need for specific authorizations by the member for each aforesaid individual transaction.
9. A repurchase order said in sections 6 and 7 above, which was received after 1:00 PM on any trading day, or after 10:00 AM on Fridays, holiday eves and the intermediate days of Pessah and Succot, shall be treated as if it had been received on the first business day thereafter, and that day shall be deemed the day of receipt.
10. On the first business day after the day of receipt the Minister of Finance shall send the Clearing House a request to withdraw the Government bonds that were acquired as said in sections 6 or 7 above from the Ministry of Finance subaccount.

11. A repurchase order in a quantity that exceeds the quantity registered to the member's credit in the subaccount to which the order refers shall not be carried out at all and it shall be returned to the Ministry of Finance with a statement of the reason therefor. The Clearing House shall send the member, to which the repurchase order referred, a notice that the order was not carried out, stating the reason therefor.

CHAPTER EIGHTEEN – REPEALED

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**CHAPTER NINETEEN- PROVIDING CLEARING SERVICES FOR
TRANSACTIONS, OTHER THAN REPO TRANSACTIONS THAT ARE CARRIED
OUT ON THE MTS SYSTEM**

1. The provisions of this Chapter, as well as the provisions of Chapter Five (including all the provisions of the By-laws that apply by its virtue) shall apply to the clearing of transactions, other than Repo transactions, that are carried out on the MTS system (all the aforesaid provisions and Chapters shall hereafter be called "this Chapter").
2. In this Chapter –
 - "**clearing agreement**" – an agreement signed between a PD and a member, according to which the member will provide clearing services for the PD on all matters connected to clearing transactions contracted on the MTS system,
 - "**member that clears for a PD**" – a member who contracted a clearing agreement with a PD;
 - "**proper notice**" – a notice sent by MTS and received by the Clearing House, in a manner agreed between the Clearing House and MTS, which includes particulars about a transaction with MTS certificates contracted on the MTS system, in a format agreed between the Clearing House and MTS;
 - "**clearing day**" – each of the following days: Monday, Tuesday, Wednesday and Thursday, other than –
 - a. the holidays specified here and their eves: New Year, Yom Kippur, Succot, Simhat Torah, Passover, the seventh day of Passover, Shevuot and Independence Day;
 - b. the Ninth of Av and Purim;
 - c. days on which trading does not take place on the MTS system;
 - d. any day in respect of which the Clearing House announced in advance that clearing services will not be provided;
 - "**cut-off time for receipt of notices**" – the cut-off time for the receipt of notices by the Clearing House on the clearing day, in respect of transactions carried out on that clearing day on the MTS system, as will be agreed from time to time between the Clearing House and MTS.
3.
 - a. Within the framework of the MTS contract, the Clearing House was appointed by MTS to provide clearing services in Israel to members in respect of transactions in MTS certificates that will be carried out on the MTS system, all according to the conditions specified in this Chapter (hereafter, in this Chapter: "clearing services").
 - b. The Clearing House will provide clearing services as said above to members during the period of effect of the MTS contract and as long as that period has not come to an end and the MTS contract has not been canceled.
 - c. The MTS contract regulates the relationship between the Clearing House and

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MTS; accordingly any third party whatsoever, including – but without derogating from the generality of the aforesaid – any member or PD whatsoever, shall have no right, remedy or grounds for action against the Clearing House or against any person who acts on behalf of the Clearing House (that is, officers, managers and persons employed by it) under the MTS contract or under any statute on any matter connected to the MTS contract.

- d. In order to remove any doubt it is here clearly stated that the Clearing House and MTS have at all times the right to cancel or change the MTS contract or the clearing services provided thereunder, including – but without derogating from the generality of the aforesaid – to expand or to reduce the extent of the services or their content, all without obtaining the consent of any third party whatsoever, including – but without derogating from the generality of the aforesaid – without obtaining the consent of any member or PD.
4.
 - a. The Clearing House shall deliver a copy of the MTS contract to every member interested in it, subject to the member's signature of an undertaking to maintain confidentiality, as formulated in Appendix Thirty-seven of the By-laws.
 - b. If a member who contracted a clearing agreement with a PD, as specified in section 5.C. below, then it may give a copy of the MTS contract to the PD who is interested in it, subject to the PD signing an undertaking to maintain confidentiality, as formulated in Appendix Thirty-eight of the By-laws.
 5. A member may provide clearing services to a PD, on condition that all the following conditions have been fulfilled:
 - a. The equity of the member that provides clearing services for a PD shall not be less than the equity required according to the provisions of Chapter Two in Part One of the By-laws..
 - b. The member has the means and the professional manpower that enable it to provide clearing services for a PD.
 - c. The member and the PD contracted a clearing agreement, which inter alia includes the provisions specified in section 8 below, and the PD signed a letter of undertaking toward the Clearing House, as formulated in Appendix Thirty-Nine of the By-laws.
 6. a member that contracts a clearing agreement with a PD, is responsible toward the Clearing House that the clearing agreement has been signed by the PD and that it includes all the provisions that are specified in section 8 below, and also that the PD signed a letter of undertaking toward the Clearing House, as formulated in Appendix Thirty-Nine of the By-laws.
 7.
 - a.
 - 1) A member who provides clearing services for a PD shall perform for the PD all the acts required in connection with clearing all the transactions contracted on the MTS system and to which the PD is a party, and the PD shall for all intents and purposes be deemed a client of the member on all matters connected to the By-laws.

- 2) Without derogating from the generality of the provisions of section 7.a.1) above, and in order to remove any doubt it is hereby clearly stated that all the provisions of this Chapter shall apply to the member also in respect of the transactions contracted on the MTS system, which the member carries out for a PD to which the member provides clearing services, and that, irrespective of whether the PD performs the transactions for itself or for others, and those transactions shall, for all intents and purposes, be deemed transactions carried for a client of the member.
 - b.
 - 1) If a PD is an NCHM, then it must contract a clearing agreement with the same member with which it contracted a clearing agreement under Chapter One in Part Two of the By-laws.
 - 2) If a PD that is an NMP must contract a clearing agreement with the same member with which it contracted a clearing agreement under Chapter Nineteen "A" in Part Two of the By-laws.
 - c. Every NCHM shall have one clearing member for all activities of the NCHM in the Clearing House.
8. A clearing agreement shall include, inter alia, the following provisions:
- a. a declaration by the PD that it knows and agrees that the MTS contract regulates relations between the Clearing House and MTS and that accordingly no third party whatsoever, including – but without derogating from the generality of the aforesaid – any member or PD, shall not have any right, remedy or grounds for action against the Clearing House or against any person who acts on behalf of the Clearing House (that is, officers, managers and the persons employed by it) under the MTS contract or under any statute on any matter connected to the MTS contract;
 - b. a declaration by the PD that it agrees to all the provisions in the By-laws to the extent that they relate to its activity, as they will be from time to time, and that it undertakes to act in accordance with the By-Laws, as they will be from time to time, on all matters that relate to its activity;
 - c. a declaration by the PD that it releases the Clearing House and the Stock Exchange, as well as the persons who act on behalf of the Clearing House, from every responsibility or liability, as specified in section 20 below;
 - d. a declaration by the PD that it knows and agrees that Israel Law (and it alone) shall apply to all matters connected to the provision of clearing services by the Clearing House, including – but without derogating from the generality of the aforesaid – to all matters connected to the By-laws, to the contracts contracted between the Clearing House and its members, as specified in section 12 below, to every clearing agreement between a member and a PD and to every undertaking by a PD toward the Clearing House;

- e. a declaration by the PD that it knows and agrees that the Courts in Israel shall have sole jurisdiction on any matter connected to controversies about the provision of clearing services by the Clearing House, including – but without derogating from the generality of the aforesaid – all matters connected to the By-laws, to the contracts contracted between the Clearing House and its members, as specified in section 12 below, to every clearing agreement between a member and a PD and to every undertaking by a PD toward the Clearing House;
 - f. a declaration by the PD that it knows and agrees that the Clearing House will deliver to MTS information and particulars on all matters connected to the PD and to transactions contracted on the MTS system, and also that the Clearing House will cooperate with the various authorities, in Israel and abroad, and will deliver to them information and particulars, as will be required, on all matters connected to the PD and to transactions contracted on the MTS system;
 - g. a declaration by the PD that it knows that the Clearing House would not have consented to the contracting of a clearing agreement between the PD and a member, if not for the PD's declarations and undertakings, as specified above in this section 8;
 - h. a declaration by the PD that it knows that its declarations and undertakings, as specified above in this section 8, are to the benefit of the Clearing House and that they vest in the Clearing House – as the beneficiary – the right to demand the fulfillment of the said declarations and undertakings or of any part of them, and furthermore, that the said declarations and undertakings will not be subject to change or cancellation, except by way of terminating the clearing agreement, as specified in section 11 below and subject to its conditions.
9. A member shall inform the Clearing House of contracting a clearing agreement with a PD at least two (2) clearing days before the clearing agreement goes into effect, and it shall deliver the PD's letter of undertaking to the Clearing House, as formulated in Appendix Thirty-Nine of the By-laws.
10. a . A member is responsible toward the Clearing House for the clearing of all transactions by the PD who contracted a clearing agreement with the member, and for covering all monetary and other obligations that stem from them, and also for every act, or omission (hereafter, together: "acts") of the PD that is connected thereto, and that even if – in consequence thereof – the member will become liable for a sum in excess of what was agreed in the clearing agreement between it and the PD.
- b. A member shall deliver a letter of undertaking to the Clearing House, as formulated in Appendix Forty of the By-laws, in connection with every PD with which it contracted a clearing agreement.
11. a. A member shall inform the General Manager of the Clearing House, or in his absence the General Manager of the Stock Exchange, and also MTS, in writing of the date of termination of a clearing agreement with a PD (hereafter: "notice of termination"), no later than two clearing days before the date of termination of the clearing agreement.
- b. When a member has given notice of the termination of a clearing agreement, as

aforesaid, then the member shall continue to be responsible toward the Clearing House, as said in section 10 above, and in this context it shall continue to be responsible for the clearing of all transactions carried out by the PD on the MTS system until the end of the second clearing day after the clearing day on which the notice of termination was delivered to the General Manager of the Clearing House or to the General Manager of the Stock Exchange, as said in section 11.a. above, or until the PD ceases to participate in trading on the MTS system, whichever is the later (hereafter: "time of cessation of responsibility").

For this matter, the following is made clear:

- 1) as long as the Clearing House receives proper notices from MTS in respect of transactions contracted on the MTS system and to which the PD is a party, the PD shall be deemed not to have terminated its participation in trading on the MTS system;
 - 2) the member's responsibility toward the Clearing House, as aforesaid, shall also apply to every liability in connection with aforesaid transactions or acts, for which the payment date or the clearing date falls after the cessation of responsibility.
- c.
- 1) Notwithstanding the aforesaid, if a member (hereafter: "the terminating member") has given notice that a clearing agreement with a PD has been terminated and another member has given notice that he contracted a new clearing agreement with the same PD (hereafter: "the new clearing agreement") as said in section 9 above, then the terminating member shall continue to be responsible toward the Clearing House, as said in section 10 above, and that includes that he continues to be responsible for clearing all the transactions carried out by the PD on the MTS system until the end of the second clearing day after the clearing day on which the notice of termination was delivered to the Manager of the Clearing House or to the General Manager of the Stock Exchange, as said in section 11.a. above, or until the new clearing agreement goes into effect, whichever is later (hereafter: "time of cessation of responsibility").
 - 2) For this matter, the following is made clear:
 - a. as long as the new clearing agreement is not in effect, the terminating member will continue to be responsible to the Clearing House, as said in section 11.c.1) above;
 - b. the terminating member's aforesaid responsibility toward the Clearing House shall also apply to every obligation in connection with aforesaid transactions or acts, for which the date of clearing or the date of payment falls after the time of cessation of responsibility.

12. Subject to the fulfillment of the conditions prescribed in section 13 below, when a transaction is contracted on the MTS system between two members, then two contracts shall arise, in Israel – the one a contract between the Clearing House as the seller and the member who bought MTS certificates, and the other a contract between the Clearing House as the buyer and the member who sold MTS certificates (the said two contracts shall jointly be called "the contracts").

For this matter, it is stated clearly that, if a PD is party to a transaction on the MTS system, then the contract shall arise, as aforesaid, between the Clearing House and the member who clears for the PD.

13. a. If a proper notice is received by the Clearing House within five minutes of the time, when a transaction was contracted on the MTS system, but before the cut-off time for the receipt of notices, then the Clearing House shall become a party to the contracts at the time when the transaction was contracted on the MTS system.
- b. If a proper notice is received by the Clearing House later than five minutes after a transaction was contracted on the MTS system, but before the cut-off time for the receipt of notices, then the Clearing House shall become a party to the contracts at the time when the proper notice was received by the Clearing House, on condition that – until the proper notice was received by the Clearing House – the Clearing House had not given MTS a notice as said in sections 17.c.1), 17.f.5) and 18.b.1) below, and did not receive a notice from MTS, as said in sections 18.b.2) and 18.c. below.

Let it be clearly stated that if a notice under the said sections was given or received by the Clearing House, then the Clearing House shall not be party to the contracts and it shall not clear the transaction, the particulars of which were included in the proper notice.

- c. If a notice received by the Clearing House is not a proper notice (even if the notice was received by the Clearing House within five minutes after the transaction was contracted on the MTS system), then the Clearing House may reject the notice, and in a said case the Clearing House shall not become party to the contracts and it shall not clear the transaction, particulars of which were included in the notice that was rejected.
- d. If no proper notice was received by the Clearing House up to the cut-off time for receipt of notices, in respect of any transaction whatsoever that was contracted on the MTS system, then the Clearing House shall not become party to the contracts and it shall not clear the said transaction.

Notwithstanding the aforesaid, the General Manager of the Clearing House may decide, at his discretion, within thirty minutes after the cut-off time for the receipt of notices that he agrees to clear the said transaction; written notice of this agreement shall be given to MTS.

If written agreement was given by the General Manager of the Clearing House as aforesaid, then the Clearing House shall become party to the contracts at the time the said agreement was given to MTS in writing.

- e. When the Clearing House has become a party to aforesaid contracts, then from the

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said time on the Clearing House shall be responsible for the fulfillment of its undertakings according to the contracts, as specified in the above Chapter Five.

14. a. MTS shall send notices to the Clearing House through the SWIFT network.
- b. If MTS informed the Clearing House in writing that, because of any reason whatsoever, messages cannot be transmitted over the SWIFT network, then – subject to the provisions of section 13 above – MTS may transmit notices by alternate means on which the Clearing House and MTS shall agree from time to time.

The notices that will be received by alternate means, as aforesaid, shall – for all intents and purposes – be deemed notices received over the SWIFT network.

15. a. On each clearing day, up to the cut-off time for the receipt of notices, MTS may deliver a notice to the Clearing House about the cancellation of a transaction contracted on the MTS system (hereafter: "cancellation notice"), for which proper notice that they had been contracted had earlier been delivered to the Clearing House in the course of the same clearing day.
 - b. If a said cancellation notice was received by the Clearing House, then the Clearing House shall not become party to the contracts and it shall not clear the transaction, particulars of which were included in the cancellation notice.
 - c. MTS may give the Clearing House a new proper notice in respect of the a transaction that was included in the proper notice that was canceled as aforesaid, on condition that the Clearing House receive the new proper notice up to the cut-off time for the receipt of notices on the clearing day on which the said transaction was contracted, and in the said instance the provisions of sections 13.b. to 13.d. above shall apply.
16. a. If the Clearing House informed MTS of its inability to render services (within the meaning of that term in the MTS contract), or that a force majeure event occurred (within the meaning of that term in the MTS contract), which prevents the Clearing House from continuing to provide some or all of the clearing services, as said in this Chapter (hereafter in this section: "notice by the Clearing House"), then the following provisions shall apply:
 - 1) the cut-off time for the receipt of notices shall be advanced, and it shall be ten minutes after the Clearing House delivered the notice by the Clearing House to MTS.
 - 2) when ten minutes have passed after the notice by the Clearing House was given to MTS, as aforesaid, every notice that will be received by the Clearing House about transactions contracted on the MTS system shall be deemed a notice that is not proper; accordingly the Clearing House shall reject the said notices, shall not become party to the contracts and shall not clear the transactions, particulars of which were included in the notices that were rejected as aforesaid;
 - 3) the remainder of the clearing day on which the notice by the Clearing House was delivered, as aforesaid, as well as every additional day (that, if not for

the notice by the Clearing House, would have been deemed a clearing day) shall not be deemed a clearing day; in a said case, the Clearing House shall cease providing clearing services until an additional notice is given by the Clearing House to MTS, according to which the Clearing House will resume its activity and will continue to provide clearing services, beginning at a time that will be stated in the additional notice.

- b. Without derogating from the provisions of section 16.a. above, the Clearing House has the right to inform the members that – because of any reason whatsoever (of any sort and kind), which shall be specified in the notice – the Clearing House is unable to continue to provide all or some of the clearing services said in this Chapter; in a said case, the Clearing House will cease to provide clearing services, as specified in the said notice until the Clearing House gives an additional notice to the members, according to which the Clearing House will resume its activity and will continue to provide clearing services, beginning at a time that shall be stated in the additional notice.
17. 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 House services to a member in accordance with this Chapter (hereafter: "temporary interruption"), if it concluded – 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 convene the Board of Directors in order to discuss the continued provision of clearing services to the member, as specified in section 17.c. below.

In a said case, the Committee shall, as far as possible, refrain from deciding on a temporary interruption in the provision of clearing services before it gave the member an opportunity to present its arguments to it. However, if the Committee concluded, at its discretion, that the decision must be made without delay, 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 an opportunity to present its arguments after the decision has been made.

- 2) Notwithstanding the aforesaid, if the member did not meet its monetary obligations that stem from activity performed in the Clearing House, as specified in Chapter Six of Part Two of the By-laws, the Committee may order an immediate temporary interruption in the provision of Clearing House services to the member.

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 subject.

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 to 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 was adopted.

- b. If the Committee decided on a temporary interruption in the provision of clearing services to a member, as specified in Chapter Two of Part One of the By-laws, the provision of clearing services to the member shall be interrupted temporarily also in accordance with this Chapter.
- c.
 - 1) When the Committee has ordered a temporary interruption in the provision of clearing services to a member in accordance with this Chapter, the General Manager of the Clearing House shall, without delay, give notice thereof to MTS, stating the precise time when the notice was given to MTS (hereafter in this section: "time of the notice to MTS"). Furthermore, the chairman of the Board of Directors of the Clearing House shall act as soon as possible to convene the Board of Directors, in order to discuss the continued provision of clearing services to the member in accordance with this Chapter.
 - 2) Beginning with the time of the notice to MTS, every notice that will be received by the Clearing House about transactions carried out on the MTS system by the member or about transactions carried out on the MTS system by primary dealers with whom the member made a clearing agreement shall be deemed notices that are not proper; accordingly the Clearing House shall reject the said notices, shall not become party to the contracts and shall not clear the transactions, particulars of which were included in the notices that were rejected as aforesaid.
 - 3) It is hereby clearly stated that the aforesaid does not derogate from the undertakings of MTS under the MTS contract to cancel and disconnect access to trading on the MTS system for the member and for the primary dealers said in section 17.c.2) above, and also to cancel all transactions carried out by any of them, beginning with the time of the notice to MTS.
- d. If, during the period in which the temporary interruption is in effect, the member proves to the satisfaction of the Committee that the grounds for deciding on the temporary interruption in the provision of clearing services have been removed, the Committee may decide that the provision of clearing services be resumed, and in such a case the Manager of the Clearing House shall so inform MTS.

- e. If the member did not prove to the satisfaction of the Committee that the grounds for deciding on the temporary interruption in the provision of clearing services have been removed, the Board of Directors shall convene and discuss the continued provision of clearing services to the member.
- f. 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 any of 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 and any of the aforesaid events shall hereafter be called "event that arouses suspicion of insolvency"), then the Board of Directors may decide to stop the provision of clearing services to the member in accordance with this Chapter, and it may limit the said stoppage of services to a period that it shall set.
- 2) The Board of Directors may decide to continue the provision of clearing services to the member, either in full or in part, and it may restrict the said provision of services by conditions and restrictions, as it finds appropriate at its discretion.
- 3) The Board of Directors shall decide to stop the provision of clearing services to a member in accordance with this Chapter, or to continue the partial provision of clearing services to the member only by a 75% majority of those present at the Board of Directors meeting that discusses the matter, and only after it has given the member an appropriate opportunity to appear before the Board of Directors or to present its stand in writing. If the Board of Directors holds that making the decision must not be postponed, then the Board of Directors may decide as aforesaid even before the member was given an opportunity to bring its arguments before the Board of Directors, as aforesaid, provided the member shall 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 of the Board of Directors to discuss the interruption of 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 on the said 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 was adopted.

- 5) If, in accordance with this Chapter, it was decided to stop the provision of clearing services to a member, or if it was decided to provide clearing services to a member only partially, then the member and all persons who act on its behalf shall take all necessary steps to prevent, as far as possible, harm to the member's clients, including – but without derogating from the generality of the aforesaid – to PDs who signed clearing agreements with the member, to other Clearing House members and to the Clearing House.

- 6) If in accordance with this Chapter the Board of Directors decided to stop the provision of clearing services to the member, or to provide clearing services to the member only partially, then notice shall be given to MTS.

If no decision for a temporary interruption was made, as said in section 17.a. above, before the decision of the Board of Directors to stop the provision of clearing services to the member, or to provide clearing services to the member only partially, as aforesaid, then the provisions of sections 17.c.1) to 3) above shall apply, mutatis mutandis, to the matter of giving notice to MTS and its results.

- g. A member shall continue to be liable for all its debts in respect of clearing services, in accordance with this Chapter, even if it was decided to stop the provision of clearing services to him, whether temporarily or permanently, and also if it was decided to provide only partial clearing services to him
18. a. The Clearing House may from time to time transmit to MTS information and particulars in its possession about all matters connected to a member or to a PD, and to the transactions contracted by them on the MTS system.
- b. Without derogating from the generality of the aforesaid, the following is hereby made clear:
- 1) if the Clearing House believes that an event that arouses suspicion of a member's insolvency occurred, or that a said event is liable to occur, then the Clearing House shall give notice thereof to MTS without any delay;
- 2) if the MTS believes that an event that arouses suspicion of a member's insolvency occurred, or that a said event is liable to occur, or that a similar event occurred in respect of a PD or that a said similar event is liable to occur, then MTS shall give notice thereof to the Clearing House without any delay.
- c. If MTS suspends a member or a PD from trading on the MTS system, then it shall so inform the Clearing House without delay, and it shall not cancel the suspension without obtaining the consent of the Clearing House thereto.
- d. The Clearing House may cooperate with the various authorities in Israel or abroad and give them information and particulars, as will be necessary, on all matters connected to a member or to a PD and to the transactions contracted on the MTS system.
19. The Clearing House and MTS may terminate the MTS contract, on the terms and at the times prescribed in the MTS contract.

If either of the parties to the MTS contract decides to terminate the contract, then the Clearing House shall so inform the members and stop the provision of clearing services for transactions carried out on the MTS system in under a schedule that will be prescribed by the Board of Directors for this purpose.

20. a. The Clearing House and the Stock Exchange, as well as the persons who act on their behalf – that is their officers, managers and the persons employed by them (all these hereafter to be known as "persons who act on behalf of the Clearing House") – shall be exempt and shall bear no responsibility or liability whatsoever for any loss, damage, expenditure or deficit of any type or kind whatsoever (hereafter in this section: "damage") that are liable to be caused to any person or entity whatsoever, including – but without derogating from the generality of the aforesaid – to a member or to a PD because of any act, activity or omission of any kind whatsoever (unless performed with malice) of the Clearing House, of the Stock Exchange or of persons who act on behalf of the Clearing House on every matter connected to this Chapter or to the provision of clearing services for transactions carried out on the MTS system.
- b. Without derogating from the generality of the aforesaid, the Clearing House and the Stock Exchange, as well as the persons who act on behalf of the Clearing House, shall be exempt and shall bear no responsibility or liability whatsoever for any loss, damage, expenditure or deficit of any type or kind whatsoever (hereafter in this section: "damage") that are liable to be caused to any person or entity whatsoever, including – but without derogating from the generality of the aforesaid – to a member or to a PD, because of any act, activity or omission of any kind whatsoever of MTS or of any person on its behalf, all whether or not they are connected to any act performed by the Clearing House.
21. Without derogating from the provisions of section 20 above, let it be stated clearly that – for the clearing of transactions contracted on the MTS system – the Clearing House depends only on the proper notices that it receives from MTS.

The Clearing House will not clear transactions contracted on the MTS system, if it did not receive a proper notice in their respect, and the Clearing House also is not responsible for the content of the proper notices or for any fault, mistake or shortcoming in them due to any reason whatsoever.

MTS alone bears the full responsibility for the content of the proper notices and for the correctness and completeness of the information in them.

22. a. It is hereby clearly stated that Israel Law applies to the MTS contract and that the competent Courts in Israel have sole jurisdiction to hear any matter connected to it.
- b. Israel Law (and it alone) shall apply to all matters connected to the provision of clearing services by the Clearing House, including – but without derogating from the generality of the aforesaid – all matters connected to the By-laws, the contracts between the Clearing House and its members, as specified in section 12 above, to every clearing agreement between a member and a PD and to every undertaking of a PD toward the Clearing House.
- c. The Courts in Israel shall have sole jurisdiction on any matter connected to any controversy in connection with the provision of clearing services by the Clearing House, including – but without derogating from the generality of the aforesaid – all matters connected to the By-laws, to the contracts between the Clearing House and its members, as specified in section 12 above, to every clearing agreement between a member and a PD and to every undertaking of a PD toward the Clearing House.

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23. The fees for the clearing services that will be provided as specified in this Chapter shall be in accordance with the tariff, which is attached to the Regulations under Part Six of the Tel Aviv Stock Exchange Rules.

**CHAPTER NINETEEN "A"- PROVIDING CLEARING SERVICES FOR REPO
TRANSACTIONS CARRIED OUT ON THE MTS SYSTEM**

1. a. The provisions of this Chapter as well as the provisions of Chapter Five (including all the provisions of the By-laws that apply by its virtue) shall apply to the clearing of Repo transactions (all the aforesaid provisions and Chapters shall hereafter be called "this Chapter").
- b. Without derogating from the provisions of section 4.d. in the above Chapter Nine, if the record date for the payment of interest on Repo securities falls between the first leg clearing date of the Repo transaction and the second leg clearing date of that transaction, then the Clearing House shall debit the transferee member for the amount of interest on the interest payment day on the said Repo security and credit that amount to the transferor member, and that even if the payment day comes after the date for clearing the second leg of that Repo transaction.
2. In this Chapter –
 - "proper notice" – a notice sent by MTS and received by the Clearing House, in a manner agreed between the Clearing House and MTS, which includes particulars of two transactions with Repo securities that were contracted on the MTS system, in a format agreed between the Clearing House and MTS;
 - "cut-off time for receipt of notices" – the cut-off time for the receipt of notices by the Clearing House on the clearing day, in respect of transactions carried out on that clearing day on the MTS system, as will be agreed from time to time between the Clearing House and MTS.
 - "clearing agreement" – an agreement signed between a Repo participant and a member, according to which the member will provide clearing services for the Repo participant on all matters connected to the clearing of Repo transactions contracted on the MTS system;
 - "member that clears for a Repo participant" – a member who contracted a clearing agreement with a Repo participant;
 - "clearing day" – each of the following days: Monday, Tuesday, Wednesday and Thursday, other than –
 - a. the holidays specified here and their eves: New Year, Yom Kippur, Succot, Simhat Torah, Passover, the seventh day of Passover, Shevuot and Independence Day;
 - b. the Ninth of Av and Purim;
 - c. days on which trading does not take place on the MTS system;
 - d. any day in respect of which the Clearing House announced in advance that clearing services will not be provided;

notwithstanding the aforesaid, in respect of second leg clearing every day on which the Clearing House performs clearing shall be deemed a clearing day.
3. a. Within the framework of the MTS contract, the Clearing House was appointed by MTS to provide clearing services in Israel to members in respect of Repo transactions that will be carried out on the MTS system, all according to the conditions specified in this Chapter (hereafter, in this Chapter: "Repo clearing services").

- b. The Clearing House will provide Repo clearing services as said above to members during the period of effect of the MTS contract and as long as that period has not come to an end and the MTS contract has not been canceled.
 - c. The MTS contract regulates the relationship between the Clearing House and MTS; accordingly any third party whatsoever, including – but without derogating from the generality of the aforesaid – any member or Repo participant whatsoever, shall not have any right, remedy or grounds for action against the Clearing House or against any person who acts on behalf of the Clearing House (that is, its officers, managers and persons employed by it) under the MTS contract or under any statute on any matter connected to the MTS contract.
 - d. In order to remove any doubt it is here clearly stated that the Clearing House and MTS have at all times the right to cancel or change the MTS contract or the clearing services provided thereunder, including – but without derogating from the generality of the aforesaid – to expand or to reduce the extent of the services or their content, all without obtaining the consent of any third party whatsoever, including – but without derogating from the generality of the aforesaid – without obtaining the consent of any member or Repo participant whatsoever.
4.
 - a. The Clearing House shall deliver a copy of the MTS contract to every member interested in it, subject to the member's signature of an undertaking to maintain confidentiality, as formulated in Appendix Forty "A" of the By-laws.
 - b. If a member contracted a clearing agreement with a Repo participant, as specified in section 6.c. below, then it may give a copy of the MTS contract to the Repo participant who is interested in it, subject to the Repo participant signing an undertaking to maintain confidentiality, as formulated in Appendix Forty "B" of the By-laws.
 5. The equity capital of a member that wishes to receive Repo clearing services from the Clearing House shall not be less than the capital required under the provisions of Chapter Two in Part One of the By-laws.
 6. A member may provide clearing services to a Repo participant, on condition that all the following conditions have been fulfilled:
 - a. The equity of the member shall not be less than the capital required under the provisions of Chapter Two in Part One of the By-laws.
 - b. the member has the means and the professional manpower that enable it to provide clearing services for the Repo participant, as well as the apparatus, means and computer systems that enable it to receive from the MTS system reports of the transactions carried out by the Repo participant immediately after they were carried out;
 - c. the member and the Repo participant contracted a clearing agreement which inter alia includes , the provisions specified in section 9 below and the Repo participant signed a letter of undertaking toward the Clearing House, as formulated in Appendix Forty "C" or in Appendix Forty "D" of the By-laws, as the case may be.

7. A member that contracts a clearing agreement with a Repo participant is responsible toward the Clearing House that the clearing contract has been signed by the Repo participant and that it includes all the provisions that are specified in section 9 below, and also that the Repo participant signed an undertaking toward the Clearing House, as formulated in Appendix Forty "C" or in Appendix Forty "D" of the By-laws, as the case may be.
8. a.
 - 1) A member who provides clearing services for a Repo participant shall perform for the Repo participant all the acts required in connection with the clearing of all the transactions contracted on the MTS system and to which the Repo participant is a party, and the Repo participant shall, for all intents and purposes, be deemed a client of the member in respect of all matters connected to the By-laws.
 - 2) Without derogating from the generality of the provisions of section 8.a.1) above and in order to remove all doubt it is hereby clearly stated that all the provisions prescribed in Chapter Nineteen "D" in Part Two of the By-laws – including provisions on the early termination of Repo transactions to which the member is a party, on an irrevocable power of attorney given by the member, on the delegation of powers, and on lien and set-off shall apply to the member also in respect of the Repo transactions carried out by the Repo participant for whom the member provides clearing services for Repo transactions, and that whether the Repo participant performs the Repo transactions for himself or for others, and those transactions shall, for all intents and purposes, be deemed Repo transactions that were carried out for a client of the member.
- b.
 - 1) If a Repo participant is an NCHM, then it must contract a clearing agreement with the same member with which it contracted a clearing agreement under Chapter One in Part Two of the By-laws.
 - 2) If a Repo participant is a PD, then it must contract the clearing agreement with the same member, with which it has a clearing agreement under Chapter Nineteen in Part Two of the By-laws.
 - 3) An MPRT that is an NCHM must contract a clearing agreement with the member that performs monetary clearing for it.
- c.
 - 1) Every NCHM shall have one clearing member for all activities of the NCHM in the Clearing House.
 - 2) Every NBM shall have one member that performs monetary clearing for it, in respect of all the activity of the NBM in the Clearing House.

9. A clearing agreement shall include, inter alia, the following provisions:
- a. a declaration by the Repo participant that it knows and agrees that the MTS contract regulates relations between the Clearing House and MTS and that accordingly no third party whatsoever, including – but without derogating from the generality of the aforesaid – any member or Repo participants, shall not have any right, remedy or grounds for action against the Clearing House or against any person who acts on behalf of the Clearing House (that is, its officers, managers and the persons employed by it) under the MTS contract or under any statute on any matter connected to the MTS contract;
 - b. a declaration by the Repo participant that it releases the Clearing House and the Stock Exchange, as well as the persons who act on behalf of the Clearing House, from every responsibility or liability, as specified in section 22 below;
 - c. a declaration by the Repo participant that it knows and agrees that Israel Law (and it alone) shall apply to all matters connected to the provision of clearing services by the Clearing House, including – but without derogating from the generality of the aforesaid – to all matters connected to the By-laws, to the contracts contracted between the Clearing House and its members, as specified in section 13 below, to every clearing agreement between a member and a Repo participant and to every undertaking by a Repo participant toward the Clearing House;
 - d. a declaration by the Repo participant that it knows and agrees that the Courts in Israel shall have sole jurisdiction on any matter connected to any controversy about the provision of clearing services by the Clearing House, including – but without derogating from the generality of the aforesaid – all matters connected to the By-laws, to the contracts contracted between the Clearing House and its members, as specified in section 13 below, to every clearing agreement between a member and a Repo participant and to every undertaking by a Repo participant toward the Clearing House;
 - e. a declaration by the Repo participant that it knows and agrees that the Clearing House will deliver to MTS information and particulars on all matters connected to the Repo participant and to the Repo transactions contracted on the MTS system, and also that the Clearing House will cooperate with the various authorities, in Israel and abroad, and will deliver to them information and particulars, as will be required, on all matters connected to the Repo participant and to transactions contracted on the MTS system;
 - f. a declaration by the Repo participant that it knows that the Clearing House would not have consented to the contracting of a clearing agreement between the Repo participant and a member, if not for the Repo participant's declarations and undertakings, as specified above in this section 9;

- g. a declaration by the Repo participant that it knows that its declarations and undertakings, as specified above in this section 9, are to the benefit of the Clearing House and that they vest in the Clearing House – as the beneficiary – the right to demand the fulfillment of the said declarations and undertakings or of any part of them, and furthermore, that the said declarations and undertakings will not be subject to change or cancellation, except by way of terminating the clearing agreement, as specified in section 12 below and subject to its conditions.;
 - h. a clearing agreement between a member and a NMP shall also include, in addition to the aforesaid, a declaration by the NMP that it agrees with all the provisions of the By-laws, as far as they concern its activity, as they will be from time to time, and that it undertakes to act in accordance with the By-laws, as they will be from time to time, as far as they concern its activity.
10. A member shall inform the Clearing House of contracting a clearing agreement with a Repo participant at least two (2) trading days before the clearing agreement goes into effect, and it shall deliver the Repo participant's letter of undertaking to the Clearing House, as formulated in Appendix Forty "C" or in Appendix Forty "D" of the By-laws, as the case may be.
11. a. A member is responsible toward the Clearing House for the clearing of all transactions by the Repo participant who contracted a clearing agreement with the member, and for covering all monetary and other obligations that stem from them, and also for every act, action or omission (hereafter, together: "acts") of the Repo participant that is connected thereto, and that even if – in consequence thereof – the member will become liable for a sum in excess of what was agreed in the clearing agreement between it and the Repo participant.
- b. A member shall deliver a letter of undertaking to the Clearing House, as formulated in Appendix Forty "E" of the By-laws, in connection with every Repo participant with which it contracted a clearing agreement.
12. a. A member shall inform the General Manager of the Clearing House, or in his absence the General Manager of the Stock Exchange, and also MTS, in writing of the date of termination of a clearing agreement with a Repo participant (hereafter: "notice of termination"), not later than two (2) trading days before the date of termination of the clearing agreement.
- b. When a member has given notice of the termination of a clearing agreement, as aforesaid, then the member shall continue to be responsible toward the Clearing House, as said in section 11 above, and in this context it shall continue to be responsible for the clearing of all transactions carried out by the Repo participant on the MTS system until the end of the second clearing day after the clearing day on which the notice of termination was delivered to the General Manager of the Clearing House or to the General Manager of the Stock Exchange, as said in section 12.a. above, or until the Repo participant ceases to participate in trading on the MTS system, whichever is the later (hereafter: "time of cessation of responsibility").

For this matter, the following is made clear:

- 1) as long as the Clearing House receives proper notices from MTS in respect

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of transactions contracted on the MTS system and to which the Repo participant is a party, the Repo participant shall be deemed not to have terminated its participation in trading on the MTS system;

- 2) the member's responsibility toward the Clearing House, as aforesaid, shall also apply to every liability in connection with Repo transactions or aforesaid acts, for which the payment date or the clearing date falls after the time of cessation of responsibility.
- c.
- 1) Notwithstanding the aforesaid, if a member (hereafter: "the terminating member") has given notice that a clearing agreement with a Repo participant has been terminated, and if another member has given notice that he contracted a new clearing agreement with the same Repo participant (hereafter: "the new clearing agreement") as said in section 10 above, then the terminating member shall continue to be responsible toward the Clearing House, as said in section 11 above, and that includes that he continues to be responsible for clearing all the transactions carried out by the Repo participant on the MTS system until the end of the second clearing day after the clearing day on which the notice of termination was delivered to the Manager of the Clearing House or to the General Manager of the Stock Exchange, as said in section 12.a. above, or until the new clearing agreement goes into effect, whichever is later (hereafter: "time of cessation of responsibility").
 - 2) For this matter, the following is made clear:
 - a. as long as the new clearing agreement is not in effect, the terminating member will continue to be responsible to the Clearing House, as said in section 12.c.1) above;
 - b. the terminating member's aforesaid responsibility toward the Clearing House shall also apply to every obligation in connection with aforesaid transactions or acts, for which the date of clearing or the date of payment falls after the time of cessation of responsibility.
13. Subject to the fulfillment of the conditions prescribed in section 14 below, when a Repo transaction is contracted: two contracts shall arise in Israel – the one a contract between the Clearing House as transferor of the Repo securities to the transferee member, according to which the Clearing House will transfer the Repo securities to the transferee member against consideration, and at the end of the period agreed in advance, the transferee member will transfer to the Clearing House Repo securities of the same kind against an amount of consideration agreed in advance or according to a method of calculation agreed in advance; and the second a contract between the Clearing House as transferee and the transferor member, according to which the transferor member will transfer the Repo securities to the Clearing House against consideration and at the end of the period that was agreed in advance the Clearing House will transfer Repo securities of the same kind to the transferor member, all against an amount of consideration agreed in advance or according to a method of calculation agreed in advance (the said two contracts shall jointly be called "the contracts");

for this matter it is stated clearly that, if a Repo participant is a party to a Repo transaction on the MTS system, then the contract shall arise, as aforesaid, between the Clearing House and the member who clears for the Repo participant.

14. a. If a proper notice of a Repo transaction is received by the Clearing House within five minutes of the time the transaction was contracted on the MTS system, but before the cut-off time for the receipt of notices, then the Clearing House shall become a party to the contracts at the time when the transaction was contracted on the MTS system.
- b. If a proper notice of a Repo transaction is received by the Clearing House later than five minutes after the transaction was contracted on the MTS system, but before the cut-off time for the receipt of notices, then the Clearing House shall become a party to the contracts at the time when the proper notice was received by the Clearing House, on condition that –until the proper notice was received by the clearing House- the Clearing House had not given MTS notice as said in sections 19.c.1), 19.f.5) and 20.b.1) below, and did not receive a notice from MTS as said in sections 20.b.2) and 20.c below.

Let it be clearly stated that if a notice under the said sections was given or received by the Clearing House, then the Clearing House shall not be a party to the contracts and it shall not clear the transaction, the particulars of which were included in the proper notice.

- c. If a notice received by the Clearing House is not a proper notice (even if the notice was received by the Clearing House within five minutes after the transaction was contracted on the MTS system), then the Clearing House may reject the notice, and in a said case the Clearing House shall not become party to the contracts and shall not clear the transaction particulars of which were included in the notice that was rejected.
- d. If no proper notice was received by the Clearing House up to the cut-off time for the receipt of notices in respect of any transaction whatsoever that was contracted on the MTS system, then the Clearing House shall not become party to the contracts and it shall not clear the said transaction.

Notwithstanding the aforesaid, the General Manager of the Clearing House may decide, at his discretion, within thirty minutes after the cut-off time for the receipt of notices, that he agrees to clear the said transaction; written notice of this agreement shall be given to MTS.

If written agreement was given by the General Manager of the Clearing House as aforesaid, then the Clearing House shall become party to the contracts at the time the said agreement was given to MTS in writing.

- e. When the Clearing House has become a party to aforesaid contracts, then from the said time on the Clearing House shall be responsible for the fulfillment of its undertakings according to the contracts, as specified in the above Chapter Five.
15. If a proper notice has been received by the Clearing House, then the Repo transaction shall be cleared as specified in Chapter Five above.

16. a. MTS shall send notices to the Clearing House through the SWIFT network.
- b. If MTS informed the Clearing House in writing that, because of any reason whatsoever, messages cannot be transmitted over the SWIFT network, then – subject to the provisions of section 14 above – MTS may transmit notices by alternate means on which the Clearing House and MTS shall agree from time to time.

The notices that will be received by alternate means ,as aforesaid, shall – for all intents and purposes – be deemed notices received over the SWIFT network.

17. a. On each clearing day, up to the cut-off time for the receipt of notices, MTS may deliver a notice to the Clearing House about the cancellation of a Repo transactions contracted on the MTS system (hereafter: "cancellation notice"), for which proper notice that they had been contracted had earlier been delivered to the Clearing House in the course of the same clearing day.
- b. If a said cancellation notice was received by the Clearing House, then the Clearing House shall not become party to the contracts and it shall not clear the Repo transaction, particulars of which were included in the cancellation notice.
- c. MTS may give the Clearing House a new proper notice in respect of a Repo transaction that was included in the proper notice that was canceled as aforesaid, on condition that the Clearing House receive the new proper notice up to the cut-off time for the receipt of notices on the clearing day on which the said Repo transaction was contracted, and in the said instance the provisions of sections 14.b. to 14.d. above shall apply.
18. a. If the Clearing House informed MTS of its inability to render services (within the meaning of that term in the MTS contract), or that a force majeure event occurred (within the meaning of that term in the MTS contract), which prevents the Clearing House from continuing to provide some or all of the clearing services as said in this Chapter (hereafter in this section: "notice by the Clearing House"), then the following provisions shall apply:
- 1) the cut-off time for the receipt of notices shall be advanced, and it shall be ten minutes after the Clearing House delivered the notice by the Clearing House to MTS.
 - 2) when ten minutes have passed after the notice by the Clearing House was given to MTS, as aforesaid, every notice that will be received by the Clearing House about transactions contracted on the MTS system shall be deemed a notice that is not proper; accordingly the Clearing House shall reject the said notices, shall not become party to the contracts and shall not clear the Repo transactions, particulars of which were included in the notices that were rejected as aforesaid;

- 3) the remainder of the clearing day on which the notice by the Clearing House was delivered, as aforesaid, as well as every additional day (which, if not for the notice by the Clearing House, would have been deemed a clearing day) shall not be deemed a clearing day; in a said case, the Clearing House shall cease providing clearing services until an additional notice is given by the Clearing House to MTS, according to which the Clearing House will resume its activity and will continue to provide clearing services, beginning at a time that will be stated in the additional notice.
- b. Without derogating from the provisions of section 18.a. above, the Clearing House has the right to inform the members that – because of any reason whatsoever (of any sort and kind), which shall be specified in the notice – the Clearing House is unable to continue to provide all or some of the clearing services said in this Chapter; in a said case, the Clearing House will cease to provide clearing services, as specified in the said notice until the Clearing House gives an additional notice to the members, according to which the Clearing House will resume its activity and will continue to provide clearing services, beginning at a time that shall be stated in the additional notice.
19. 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 House services to a member in accordance with this Chapter (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 convene the Board of Directors in order to discuss the continuation of the provision of clearing services to the member, as specified in section 19.c. below.
- In a said instance, the Committee shall, as far as possible, refrain from deciding on a temporary interruption in the provision of clearing services before the member was given an opportunity to present its arguments to it. However, if the Committee concludes, at its discretion, that the decision must be made without delay, the Committee may decide on a said temporary interruption also before the member was given an opportunity to present its arguments to it, on condition that the member be given an opportunity to present its arguments after the decision has been made.
- 2) Notwithstanding the aforesaid, if the member did not meet its monetary obligations that stem from acts performed in the Clearing House, as specified in Chapter Six of Part Two of the By-laws, the Committee may order an immediate temporary interruption in the provision of Clearing House services to the member.
- 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 for the temporary interruption in the provision of Clearing House services to a member that is a bank, and he shall give the Bank of Israel an opportunity to express its opinion on this subject.

However, if the Committee concluded that adopting the decision for the temporary interruption in the provision of Clearing House services to a member that 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 was adopted.

- b. If the Committee decided on a temporary interruption in the provision of clearing services to a member, as specified in Chapter Two of Part One of the By-laws, then the provision of clearing services to the member in accordance with this Chapter shall also be interrupted temporarily.
- c.
 - 1) When the Committee has ordered a temporary interruption in the provision of clearing services to a member in accordance with this Chapter, then without delay the General Manager of the Clearing House shall give notice thereof to MTS, stating the precise time when the notice was given to MTS (hereafter in this section: "time of the notice to MTS"). Furthermore, the chairman of the Board of Directors of the Clearing House shall act as soon as possible to convene the Board of Directors, in order to discuss the continued provision of clearing services to the member in accordance with this Chapter.
 - 2) Beginning with the time of the notice to MTS, every notice that will be received by the Clearing House about Repo transactions carried out by the member on the MTS system or about Repo transactions carried out on the MTS system by Repo participants with whom the member contracted clearing agreements shall be deemed notices that are not proper; accordingly the Clearing House will reject the said notices, shall not become party to the contracts and shall not clear the Repo transactions, particulars of which were included in the notices that were rejected as aforesaid.
 - 3) Let it be stated clearly that the aforesaid does not derogate from the undertakings of MTS under the MTS contract to cancel and disconnect access to trading on the MTS system by the member and by the Repo participants said in section 19.c.2) above, and also to cancel all Repo transactions carried out by any of them, beginning with the time of the notice to MTS.
- d. If, during the period in which the temporary interruption is in effect, the member proves to the satisfaction of the Committee that the grounds for deciding on the temporary interruption in the provision of clearing services have been removed, the Committee may order that the provision of clearing services be resumed, and in such a case the Manager of the Clearing House shall so inform MTS.

- e. If the member did not prove to the satisfaction of the Committee that the grounds for deciding on the temporary interruption in the provision of clearing services have been removed, the Board of Directors shall convene and discuss the continued provision of clearing services to the member.
- f. 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 any of 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 and any of the aforesaid events shall hereafter be called "event that arouses suspicion of insolvency"), then the Board of Directors may decide to stop the provision of clearing services to the member in accordance with this Chapter, and it may limit the said stoppage of services to a period that it shall set.
- 2) The Board of Directors may decide to continue the provision of clearing services to the member, either in full or only in part, and it may restrict the said provision of services by conditions and restrictions, as it finds appropriate at its discretion.
- 3) The Board of Directors shall decide to stop the provision of clearing services to a member in accordance with this Chapter, or to continue the partial provision of clearing services to the member only by a 75% majority of those present at the Board of Directors meeting that discusses the matter, and only after it has given the member an appropriate opportunity to appear before the Board of Directors or to present its stand in writing. If the Board of Directors holds that making the decision must not be postponed, then the Board of Directors may decide as aforesaid even before the member was given an opportunity to bring its arguments before the Board of Directors, as aforesaid, provided the member will 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 of the Board of Directors to discuss an interruption in 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 on the said 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

- 5) If, in accordance with this Chapter, it was decided to stop the provision of clearing services to a member, or if it was decided to provide clearing services to a member only partially, then the member and all persons who act on its behalf shall take all necessary steps to prevent, as far as possible, harm to the member's clients, including – but without derogating from the generality of the aforesaid – to the Repo participants that signed clearing

agreements with the member, to other Clearing House members and to the Clearing House.

- 6) If in accordance with this Chapter the Board of Directors decided to stop the provision of clearing services to the member, or to provide clearing services to the member only partially, then notice shall be given to MTS.

If no decision for a temporary interruption was made, as said in section 19.a. above, before the decision of the Board of Directors to stop the provision of clearing services to the member, or to provide clearing services to the member only partially, as aforesaid, then the provisions of sections 19.c.1) to 3) above shall apply, mutatis mutandis, to the matter of giving notice to MTS and its consequences.

- g. A member shall continue to be liable for all its debts in respect of clearing services, in accordance with this Chapter, even if it was decided to stop the provision of clearing services to it, whether temporarily or permanently, and also if it was decided to provide only partial clearing services to it.
20. a. The Clearing House may, from time to time, transmit to MTS information and particulars in its possession about all matters connected to a member or to a Repo participant, and to the Repo transactions contracted on the MTS system.
- b. Without derogating from the generality of the aforesaid, the following is hereby made clear:
- 1) if the Clearing House believes that an event that arouses suspicion of a member's insolvency occurred, or that a said event is liable to occur, then the Clearing House shall give notice thereof to MTS without any delay;
- 2) if the MTS believes that an event that arouses suspicion of a member's insolvency occurred, or that a said event is liable to occur, or that a similar event occurred in respect of a Repo participant or that a said similar event is liable to occur, then MTS shall give notice thereof to the Clearing House without any delay.
- c. If MTS pending a member or a Repo participant from trading on the MTS system, then it shall so inform the Clearing House without delay, and it shall not cancel the suspension without obtaining the consent of the Clearing House thereto.
- d. The Clearing House may cooperate with the various authorities in Israel or abroad and give them information and particulars, as will be necessary, on all matters connected to a member or to a Repo participant and to the Repo transactions contracted on the MTS system.
21. The Clearing House and MTS may terminate the MTS contract, on the terms and at the times prescribed in the MTS contract.

If either of the parties to the MTS contract decides to terminate the contract, then the Clearing House shall so inform the members and stop the provision of clearing services for transactions carried out on the MTS system under a schedule that will be prescribed by the Board of Directors for this purpose.

22. a. The Clearing House and the Stock Exchange, as well as the persons who act on their behalf – that is their officers, managers and the persons employed by them (all these hereafter to be known as "persons who act on behalf of the Clearing House") – shall be exempt and shall bear no responsibility or liability whatsoever for any loss, damage, expenditure or deficit of any type or kind whatsoever (hereafter in this section: "damage") that are liable to be caused to any person or entity whatsoever, including – but without derogating from the generality of the aforesaid – to members or to a Repo participants, because of any act, activity or omission of any kind whatsoever (unless performed with malice) of the Clearing House, of the Stock Exchange or of persons who act on behalf of the Clearing House on every matter connected to this Chapter or to the provision of clearing services for Repo transactions carried out on the MTS system.
- b. Without derogating from the generality of the aforesaid, the Clearing House and the Stock Exchange, as well as the persons who act on behalf of the Clearing House, shall be exempt and shall bear no responsibility or liability whatsoever for any loss, damage, expenditure or deficit of any type or kind whatsoever (hereafter in this section: "damage") that are liable to be caused to any person or entity whatsoever, including – but without derogating from the generality of the aforesaid – to a member or to a Repo participant, because of any act, activity or omission of any kind whatsoever of MTS or of any person on its behalf, all whether or not they are connected to any act performed by the Clearing House.
23. Without derogating from the provisions of section 22 above, let it be stated clearly that – for the clearing of the Repo transactions contracted on the MTS system – the Clearing House depends only on the proper notices that it receives from MTS.

The Clearing House will not clear Repo transactions contracted on the MTS system, if it did not receive a proper notice in their respect, and the Clearing House also is not responsible for the content of the proper notices or for any fault, mistake or shortcoming in them due to any reason whatsoever.

MTS alone bears the full responsibility for the content of the proper notices and for the correctness and completeness of the information in them.

24. a. It is hereby clearly stated that Israel Law applies to the MTS contract and its implementation, and that the competent Courts in Israel have sole jurisdiction to hear any matter connected to it.
- b. Israel Law (and it alone) shall apply to all matters connected to the provision of clearing services by the Clearing House, including – but without derogating from the generality of the aforesaid – all matters connected to the By-laws, to the contracts between the Clearing House and its members, as specified in section 13 above, to every clearing agreement between a member and a Repo participant and to every undertaking of a Repo participant toward the Clearing House.
- c. The Courts in Israel shall have sole jurisdiction on any matter connected to any

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controversy in connection with the provision of clearing services by the Clearing House, including – but without derogating from the generality of the aforesaid – all matters connected to the By-laws, to the contracts between the Clearing House and its members, as specified in section 13 above, to every clearing agreement between a member and a Repo participant and to every undertaking of a Repo participant toward the Clearing House.

25. The fees for the clearing services that will be provided as specified in this Chapter shall be in accordance with the tariff, which is attached to the Regulations under Part Six of the Rules.

**CHAPTER NINETEEN "B" – COLLATERAL FOR
REPO TRANSACTIONS**

1. **General**

Members shall give the Clearing House collateral for Repo transactions and charge it to its benefit, all as specified in this Chapter and in Chapter Three "A" in Part One of the By-laws.

The collateral that will be given to the Clearing House as specified in this Chapter shall be given and charged as a pledge for fulfilling the member's obligations toward the Clearing House for Repo transactions, as specified in this Chapter and in the above Chapter Three "A" in Part One of the By-laws (hereafter: "the member's obligations for Repo transactions") and also as pledge for fulfilling the member's other obligations toward the Clearing House.

2. **How the initial collateral (hereafter: initial margin) is calculated**

a. **How the initial margin is calculated for Repo transactions in each of the client accounts of a member**

On each business day the Clearing House shall calculate the amount of initial margin required for all the open Repo transactions in each of the clients' accounts of the member, by the following formula:

$$IM = \sum_{i=1}^n |SG_i - SL_i| \times P_i \times (1 - HCB_i) + |CV| \times HCM$$

For this purpose –

IM – the amount of initial margin, in NIS terms, required for the clients' account of the member for which the calculation is being made, correct as of the day of the calculation.

n – the number of series of Repo securities, in which there are open transactions in the clients' account of the member for which the calculation is being made.

SG_i – the total nominal value of the Repo securities of series i in all the open Repo transactions in which the member is the transferor, in the clients' account of the member for which the calculation is being made.

SL_i – the total nominal value of the Repo securities of series i in all the open Repo transactions in which the member is the transferee, in the clients' account of the member for which the calculation is being made.

HCB_i – the percentage of the market value of the Repo securities of series i, that is taken into account for calculating the extent to which the requirement for collateral is being met, as specified in the above Chapter Three "A" in Part One of the By-laws.

- HCM – 3% or some other percentage, as will be determined by the General Manager of the Clearing House with approval by the Director who is the General Manager of the Stock Exchange; notice of the said decision and of the date on which it will go into effect shall be given to the members
- P_i – the last closing price, in agorot, of a Repo security of series i, as is known at the time of the calculation
- CV – the consideration, in NIS, that will be transferred when the second leg is carried out, in all the open Repo transactions in which the member is the transferor, in the clients' account of the member for which the calculation is being made, less the consideration, in NIS, that will be transferred when the second leg is carried out, in all the open Repo transactions in which the member is the transferee in the said account.

b. **How the initial margin is calculated for the open Repo transactions in a member's nostro account**

The amount of initial margin required of a member for all the open Repo transactions in its nostro account shall be calculated in the manner prescribed in section 2.a. above, mutatis mutandis as the case may be.

3. **How the collateral for the payment of interest on Repo securities is calculated**

a. **How the collateral for the payment of interest on Repo securities in each of the clients' accounts of a member is calculated**

The amount of collateral required for all the open Repo transactions in each clients' accounts of a member, in the period from the record date for interest payment on the Repo security (the cum date) up to and including the payment day on which interest is paid (hereafter: "interest payment day") shall be calculated by the following formula:

$$CM = \sum_{i=1}^n \text{Max}((QL_i - QG_i), 0) \times C_i$$

For this purpose –

- n – the number of series of Repo securities, in which there are open transactions in the client account of the member for which the calculation is being made, for which the cum date is on the day of the calculation or for which the cum date has passed and the interest payment day has not yet come or for which the interest payment day is the day of the calculation
- CM – the amount of required collateral, in NIS terms, for the interest that will be paid to the transferee in the client account of the member for which the calculation is being made, correct as of the day of the calculation
- QL_i – the total nominal value of the Repo securities of series i in all the open

- Repo transactions in which the member is the transferee, in the clients' account of the member for which the calculation is being made
- QGi – the total nominal value of the Repo securities of series i in all the open Repo transactions in which the member is the transferor, in the clients' account of the member for which the calculation is being made
- Ci – the amount of interest, in agorot, that will be paid for NIS 1 nominal value of Repo securities of the series i on the interest payment day.

b. **How the collateral for the payment of interest on Repo securities in a member's nostro account is calculated**

The amount of collateral required of a member for interest payments on Repo securities in its nostro account shall be calculated in the manner prescribed in section 3.a. above, mutatis mutandis as the case may be.

4. **The total amount of collateral that a member must deposit with the Clearing House for all of its clients' accounts and for its nostro account**

The total amount of collateral required of a member, as specified in this Chapter, is the sum of the collateral required of the member for each of its client accounts, under sections 2.a. and 3.a. above, plus the amount of collateral required of the member for its nostro account under sections 2.b. and 3.b. above (hereafter "total amount of collateral").

5. **Supplementing collateral for the Clearing House**

- a. The Clearing House shall calculate the total amount of collateral required of each member after the conclusion of trading on the Stock Exchange on each business day, and after the first multilateral clearing window on business days on which there is no trading on the Stock Exchange.
- b. If the total amount of collateral for the member's open Repo transactions is greater (calculated as said in section 2.1 of the above Chapter Three "A" in Part One of the By-laws) than the amount of collateral deposited in the collateral accounts (as defined in Chapter Three "A" in Part One of the By-laws), then the member shall deposit additional collateral in the collateral accounts in the amount of the differential. Members shall deposit the aforesaid additional collateral until 9:30 AM of the first business day after the day on which the calculation was made as said above in section 5.a.

For this purpose the collateral deposited in the collateral accounts as aforesaid shall first be credited to the account of the collateral that a member must provide for Repo transactions and after that on account of the collateral that he must provide for the Risk Fund.

6. **Categories of assets fit to be collateral to the benefit of the Clearing House and the calculation of their value**

The assets that will serve as collateral for the benefit of the Clearing House and the calculation of their value shall be as is specified in Chapter Three "A" in Part One of the By-laws.

7. **Realizing collateral**

Without derogating from any right whatsoever that the Clearing House has under the By-laws, under any agreement and under any statute, collateral shall be realized in accordance with the provisions of Chapter Three "A" in Part One of the By-laws.

**CHAPTER NINETEEN "C" – TRANSFER TO
HEDGE EXPOSURE**

1. **General**

The Clearing House shall carry out transfers to hedge exposure, within their meaning in the Financial Assets Agreements Law 5766-2006, for the open Repo transactions of each member, as specified below in this Chapter

2. **Debiting and crediting members in order to hedge exposure**

a. **Debiting and crediting members in order to hedge the extent of their exposure for the open Repo transactions in each of their clients' accounts**

On each business day the Clearing House shall calculate, by use of the formula below, the amount that will be debited or credited to a member in order to hedge the extent of exposure in the client accounts of the member for which the calculation is being made (hereafter "the amount required in order to hedge the extent of exposure"). The aforesaid calculation shall be made on each business day after the conclusion of trading on the Stock Exchange, and on business days on which there is no trading on the Stock Exchange after the first multilateral clearing window:

$$MTM = VM_t - VM_{t-1}$$

For this purpose –

- MTM – the amount in NIS that will be debited or credited to the member, in order to hedge the extent of exposure
- VM_t – the NIS amount required in order to hedge the extent of the member's exposure in the clients' account of the member for which the calculation is being made, correct as of the day of the calculation
- VM_{t-1} – the NIS amount required in order to hedge the extent of the member's exposure in the clients' account of the member for which the calculation is being made, correct as of the day on which the calculation was last made before the day of calculation (hereafter: "the previous day of calculation").

For this purpose, VM shall be calculated by the following formula:

$$VM = \sum_{i=1}^n (SG_i - SL_i) \times P_i + \sum_{j=1}^m \left[CG_j \times \left(1 + \frac{R_j \times T_j}{act_j} \right) \right] - \sum_{k=1}^q \left[CL_k \times \left(1 + \frac{R_k \times T_k}{act_k} \right) \right]$$

For this purpose –

- VM – the NIS amount required in order to hedge the extent of exposure in the clients' account of the member for which the calculation is being made, correct as of the day of the calculation

- n – the number of series of Repo securities, in which there are open transactions in the clients' account of the member for which the calculation is being made
- SL_i – the total nominal value of Repo securities of series i in all the open Repo transactions in which the member is the transferee in the clients' account of the member for which the calculation is being made
- SG_i – the total nominal value of Repo securities of series i in all the open Repo transactions in which the member is the transferor in the clients' account of the member for which the calculation is being made
- P_i – the last closing price on the Stock Exchange, in agorot, of a Repo security of series i that is known when the calculation is being made
- CG_j – the consideration, in NIS, that was transferred when the first leg of the open Repo transaction j was carried out in which the member is the transferee, in the client account of the member for which the calculation is being made
- CL_k – the consideration, in NIS, that was transferred when the first leg of the open Repo transaction k was carried out in which the member is the transferor, in the client account of the member for which the calculation is being made
- R_j – the interest rate set in the terms of the open Repo transaction j in which the member is the transferee, precise to three decimal points
- T_j – the number of days from the day on which the first leg was carried out of the open Repo transaction j in which the member is the transferee, until the day of the calculation
- R_k – the interest rate set in the terms of the open Repo transaction k in which the member is the transferor, precise to three decimal points
- T_k – the number of days from the day on which the first leg of the open Repo transaction k in which the member is the transferor was carried out, until the day of the calculation
- m – the number of open Repo transactions in which the member is the transferee, in the clients' account of the member for which the calculation is being made
- q – the number of open Repo transactions in which the member is the transferor, in the clients' account of the member for which the calculation is being made
- act_j – the number of days between the date on which Repo transaction j was carried out and the same date in the following year, less one day, or between some other date, as will be decided for this purpose from time to time by MTS
- act_k – the number of days between the date on which Repo transaction k was carried out and the same date in the following year, less one day, or between some other date, as will be decided for this purpose from time to time by MTS.

Members will be credited or debited by the Clearing House in the amount required in order to hedge the extent of exposure in accordance with the above calculation in the first multilateral clearing window on the first business day after the day on which the calculation was made.

However, on Fridays and on the eves of holidays members will be credited or debited by the Clearing House in the amount required in order to hedge the extent of exposure in accordance with the above calculation in the second multilateral clearing window on the day on which the calculation was made and not on the first business day after the day on which the calculation was made.

b. **Debiting or crediting members for daily interest in respect of the amount required to hedge the extent of exposure in each of the members' clients' accounts**

On each business day the Clearing House shall calculate the daily interest to which members are entitled or which they must pay in respect of the amount required to hedge the extent of exposure, as was calculated on the preceding day of calculation, in each of the members' clients' accounts, and that by the following formula:

$$DIT = VM_{t-1} \times \frac{r \times t}{act}$$

For this purpose –

- DIT – the daily interest, in NIS, debited against or credited to the member in respect of the amount required to hedge the extent of exposure in the clients' account of the member, in respect of which the calculation is being made
- VM_{t-1} – the NIS amount required in order to hedge the extent of the member's exposure in the clients' account of the member, in respect of which the calculation is being made, correct as of the preceding day of calculation
- t – the number of days that passed since the preceding day of calculation by use of this formula until the day of calculation
- r – daily interest at the daily interest rate, as will be determined from time to time by the Bank of Israel
- act – the number of days between the date on which the calculation is being made and the same date in the following year, less one day.

The aforesaid calculation shall be made on each business day, after the conclusion of trading on the Stock Exchange, and on business days on which there is no trading on the Stock Exchange after the first multilateral clearing window.

The Clearing House shall credit or debit members as aforesaid in the first multilateral clearing window on the first business day after the day on which the calculation was made.

c. **Debiting or crediting a member in order to hedge the extent of exposure in respect of open Repo transactions in the members' nostro account**

Members will be credited or debited by the Clearing House by the amount required in order to hedge the extent of exposure in respect of open Repo transactions in the members' nostro account in accordance with the provisions of this Chapter, in the manner specified in section 2.a. above, mutatis mutandis as the case may be.

d. **Debiting or crediting members for daily interest in respect of the amount**

required to hedge the extent of exposure in the members' nostro accounts

The Clearing House shall debit or credit a member for the daily interest to which the members are entitled or which they must pay in respect of the amount required to hedge the extent of exposure in the members' nostro account in the manner specified in the above section 2.b., mutatis mutandis, as the case may be.

CHAPTER NINETEEN "D" – EARLY TERMINATION OF REPO TRANSACTIONS**1. Master Agreement**

1.1 All the provisions in the By-laws that apply to Repo transactions, including the provisions below in this Chapter Nineteen "D", constitute a master agreement between the Clearing House and each Clearing House member, which regulates all the Repo transactions between the Clearing House and each member, whether those transactions were performed for that member (nostro) or for its clients, and that includes:

- (a) NCHMs for whose transactions and clients the member is responsible; and also
- (b) Repo participants for whose transactions the member is responsible and the clients of such Repo participants;

(all the above transactions shall hereafter be called "Repo transactions to which the member is a party")

1.2 In order to remove all doubts, the following is here clearly stated:

1.2.1 all the provisions in the By-laws that apply to Repo transactions constitute a separate master agreement between the Clearing House and each member, which regulates all the Repo transactions to which the member is a party, including – inter alia – provisions for early termination and also provisions on hedging exposure, within the meaning thereof in the Agreements about Financial Assets Law;140 - C

1.2.2 every member is deemed to have agreed to all provisions of the framework agreement by virtue of its membership in the Clearing House and as long as it is a member thereof, without any need for any additional act to be performed.

For this purpose:

"master agreement" – within the meaning of that term in the Financial Assets Agreements Law;

"Financial Assets Agreements Law" – Financial Assets Agreements Law 5766-2006

2. Decision by the Board of Directors on the early termination of all the Repo transactions to which a member is party

2.1 2.1.1 a) Without derogating from any right of the Clearing House under the By-laws or under any statute, when one or more of the events specified below occurs in respect of any member whatsoever, then the Board of Directors of the Clearing House shall have the right (but not an obligation), to decide at its discretion on the early termination of all the Repo transactions to which the member is a party, all at the discretion of the Board of Directors (hereafter, in this Chapter: "early termination")

- b) The chairman of the Board of Directors shall inform the Governor of the Bank of Israel of the intention of the Board of Directors to discuss an aforesaid early termination 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 on an early termination 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.

And these are the events:

- a. if the member does not pay the Clearing House any amount due from it on the date set for its payment, including – but without derogating from the generality of the aforesaid – any amount the immediate payment of which was called, or if the member violates any obligation toward the Clearing House, either 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, in the opinion of the Board of Directors of the Clearing House there is any suspicion that the member is liable not to meet 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 was interrupted, pending or canceled or if it is decided to interrupt temporarily the provision of clearing services to the member or if there are any grounds on which it is possible to interrupt, suspend or cancel its said membership or to interrupt 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 any substantial asset of the member, or if a receiver is appointed to realize any part thereof or if any execution proceeding is carried out in connection with any of the said assets.

- 2.1.2 In addition to the provision of section 2.1.1 above, the Board of Directors of the Clearing House shall have the right (but not an obligation) to decide – at its discretion – on the early termination of all the Repo transactions to which the member that holds a "foreign bank license" under the Banking (Licensing) Law 5741-1981 is a party, also when one or more of the events specified below occur:
- a. if the member violated any of its undertakings or declarations under the Schedule to the fixed charges agreement, as formulated in the attached Appendix Two "E";
 - b. if any supervisory agency, 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 have been impaired.
- 2.2 2.2.1 The Clearing House shall give the member one day's advance notice of the early termination.
- 2.2.2 Notwithstanding the provisions of section 2.2.1 above, if the Clearing House is of the opinion that – taking the circumstances of the case into account – the early termination should be carried out immediately, also – but without derogating from the generality of the aforesaid – if in the opinion of the Clearing House 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 amounts due to it will deteriorate, or if there are other conditions that – in the opinion of the Clearing House – require the early termination of the Repo transactions to which the member is a party without giving the member advance notice thereof, then the Clearing House shall have the right to bring all the Repo transactions to which the member is a party to an early termination without informing the member thereof in advance, on condition that the member be given notice thereof as soon as possible thereafter.
- 2.3 When the Board of Directors of the Clearing House decided on an early termination, as said above, then the early termination shall take place on the first clearing day after the day on which the Board of Directors adopted the decision on the early termination, as said in section 2.1 above, or on the day on which the Board of Directors adopted the decision on the early termination, if the provisions of section 2.2.2 apply (hereafter: "day of early termination").
- 2.4 Let it be stated clearly that, once the Board of Directors of the Clearing House decided on an early termination, as said in section 2.1 above, then all the acts connected thereto shall be carried out by the Clearing House, including by persons to whom powers were delegated (hereafter: "the delegates"), as specified in section 6 below, all in amounts, on conditions, in a manner and in the order that will be determined by the Clearing House or the delegates, as the case may be, at their discretion (all the acts that will be performed in connection with the early termination and any part thereof shall hereafter in this Chapter be called "the acts").

3. **Calculation of the value of the obligations and rights of the member in violation and of the Clearing House**

3.1 When the Board of Directors has decided on the early termination of all the Repo transactions to which a member is part (hereafter: "the member in violation"), as said in section 2.1 above, then the Clearing House shall calculate the value of the obligations and rights of the member in violation and of the Clearing House in respect of all the Repo transactions to which the member in violation is a party, as of the day of the early termination, as specified below:

3.1.1 the day for performance of the second leg of all the Repo transactions to which the member in violation is a party shall be advanced and shall be on the day of the early termination;

3.1.2 the Clearing House shall calculate the following amounts, as of the day of early termination:

a. (1) the amount of the fair value of all the Repo securities that each party (the member in violation or the Clearing House, as the case may be, hereafter: "party") must transfer to the other party within the framework of all the Repo transactions to which the member in violation is a party; the calculation shall be made as specified in section 3.1.3 below; and

(2) all the amounts that each party must transfer to the other party within the framework of the Repo transactions to which the member in violation is a party; in the said calculation the interest on the amounts of consideration that must be transferred as part of the second leg shall be calculated up to the day of the early termination.

b. The Clearing House shall make the calculations as said in section 3.1.2.a. above until the end of the fifth clearing day after the day of the early termination (hereafter: "the fifth clearing day");

Notwithstanding the aforesaid, if the Clearing House decided that the fair value of the Repo securities be set according to the market value of the Repo securities, as said in section 3.1.3.c(2) below, then the Clearing House shall make the calculations as said in section 3.1.2.a. above as soon as possible after the fifth clearing day.

The day on which the calculations are made by the Clearing House shall hereafter be called the "day of calculation").

3.1.3 In order to calculate the fair value of the Repo securities, as said in section 3.1.2 above, the Clearing House may act in one or more of the ways said in section 3.1.3.a., b. or c. below, at its discretion:

- a. between the day of early termination and the fifth clearing day the Clearing House may sell Repo securities of the kind that the Clearing House must transfer to the member in violation, or buy Repo securities of the kind that the member in violation must transfer to the Clearing House, and determine as follows:
- (1) that the total fair value of the Repo securities that the Clearing House must transfer to the member in violation be determined according to the amount of net consideration that the Clearing House will receive for the Repo securities that the Clearing House sold as aforesaid, after deduction of all the payments, expenses, commissions and other costs connected to the said sale (all the aforesaid amounts shall hereafter be called "expenses");
 - (2) that the fair value of the Repo securities that the member in violation must transfer to the Clearing House be determined according to the amount of net consideration that the Clearing House will pay for the Repo securities that the Clearing House bought as aforesaid, with the addition of the expenses connected to the said purchase.

It is hereby made clear that the above sale or purchase of Repo securities may be carried out by the Clearing House in the course of trading on the Stock Exchange, on the MTS system or in some other similar framework, as part of off-Exchange transactions, in transactions between the Clearing House and the Bank of Israel, or in any other commonly accepted manner.

- b. Between the day of early termination and the fifth clearing day the Clearing House may receive price proposals (quotations) from two or more Stock Exchange members, Repo participants or securities dealers in an appropriate regulated market for the sale of Repo securities of the kind that the Clearing House must transfer to the member in violation, or for the purchase of the Repo securities of the kind that the member in violation must transfer to the Clearing House, and also to receive particulars about the expenses connected to the said transactions, and to determine as follows:
- (1) that the total fair value of Repo securities of the kind that the Clearing House must transfer to the member in violation shall be determined by the price set in the price proposals that the Clearing House received for the sale of the Repo securities, as aforesaid (and if the price proposals included different prices, then the price shall be set according to the average of the said prices), less the expenses connected to the said sale;

- (2) that the total fair value of the Repo securities of the kind that the member in violation must transfer to the Clearing House shall be determined by the price set in the price proposals that the Clearing House received for the purchase of the said Repo securities, as aforesaid (and if the price proposals included different prices, then the price shall be set according to the average of the said prices), plus the expenses connected to the said sale.

In this Chapter Nineteen "D" – "**organized market**" – within its meaning in section 1 of the Securities Law 5728-1968.

- c.
 - (1) Between the day of early termination and the fifth clearing day the Clearing House may determine that the fair value of the Repo securities that the Clearing House must transfer to the member in violation or of the Repo securities that the member in violation must transfer to the Clearing House shall be determined according to the market value of the said Repo securities;
 - (2) Notwithstanding the aforesaid, if – because of the circumstances that affect the market – the Clearing House is not able to set the fair value of the Repo securities until the fifth clearing day in some reasonable commercial manner, then the Clearing House may set the fair value of the Repo securities as said in section 3.1.3.c.(1) above as soon as possible after the fifth clearing day;

for this purpose: "market value" – means an amount that, in the opinion of the Clearing House, reasonably represents the fair value of the Repo securities, based on sources and methods for the determination of prices (which inter alia include, but without derogating from the generality of the aforesaid, prices of Repo securities or prices for Repo securities for similar periods and with similar conditions), all as will be deemed correct and appropriate by the Clearing House, less all the expenses connected to the sale of the Repo securities, in respect of the Repo securities that the Clearing House must transfer to the member in violation, and with the addition of all the expenses connected to the purchase of the Repo securities, in respect of the Repo securities that the member in violation must transfer to the Clearing House.

3.1.4 In order to remove all doubt, the following is hereby made clear:

- a. the Clearing House may act according to one or several of the methods specified in section 3.1.3 above, including each of the alternatives included in each of the said methods, and that in respect of some or all of the Repo securities and it may act differently in respect each part of the Repo securities, all at the discretion of the Clearing House;

- b. when the Clearing House has determined the total fair value of the Repo securities, as specified in section 3.1.3 above, then that amount shall be deemed to be the value of the Repo securities for the calculation of the obligations and rights of the member in violation and of the Clearing House, as said in section 4 below.
- 3.1.5 When the Board of Directors of the Clearing House has decided on an early termination, as said in section 2.1 above, then without derogating from the above provisions of this section 3.1 and in addition thereto, the Clearing House shall have the right to contract transactions of any kind whatsoever with third parties, which shall replace the transactions that were terminated early as aforesaid, or the purpose of which is to hedge the exposure of the Clearing House due to the early termination or any part thereof (hereafter, together: "the substitute transactions") and to debit the member in violation for every liability, loss, damage or expense that will be caused to the Clearing House in connection with the substitute transactions, including all the expenses connected thereto.
- 3.1.6 Without derogating from the aforesaid, the member in violation shall bear all the losses, liabilities, payments, expenses, premiums and commissions that will be connected to the early termination of the Repo transactions to which the member in violation is a party and to its implementation; those amounts shall be added to the total of obligations towards the Clearing House of the member in violation and they shall, for all intents and purposes, be deemed an integral part thereof.
- 3.1.7 The Clearing House shall inform the member in violation of the manner of calculating the obligations and rights of the member in violation and of the Clearing House in respect of all the Repo transactions to which the member in violation is a party, and that as soon as possible after the calculation was made as specified above.
- 3.2. In a case in which the early termination of Repo transactions, as aforesaid, is carried out after the determining date for the valuation of debt claims under any statute (hereafter: "the determining date"), then the value of the parties' obligations and rights, as aforesaid, shall be calculated as of the determining date. In the said instance the member in violation is under obligation to indemnify the Clearing House for every obligation, damage, cost or expense that will be caused to the Clearing House in consequence of the aforesaid.
- 3.3 It is hereby made clear that the division into separate accounts, as specified in Chapter Four in Part Two of the By-laws, is intended to serve technical and operational needs, and that the said separation shall not derogate from the provisions of this Chapter Nineteen "D", which include – without, however, derogating from the generality of the aforesaid –the provisions on the early termination of all the Repo transaction to which the member is a party, as specified above, or the provisions on the grant of an irrevocable power of attorney and the delegation of powers, as specified below.

4. **Netting**

After the value of the obligations and rights of the member in violation and of the Clearing House has been determined as specified above, the value of the obligations and rights of one party (the member in violation or the Clearing House, as the case may be) toward the other party (the Clearing House or the member in violation, as the case may be) in respect of all the Repo transactions to which the member in violation is a party, shall be the value of its obligations or rights less the obligations or rights of the other party toward it.

The payment of the all the amounts that one party (the member in violation or the Clearing House, as the case may be) will owe to the other party shall be due immediately and without any delay, after the set-off specified above has been carried out.

5. **Irrevocable Power of Attorney**

5.1 5.1.1 Without derogating from the above provisions of this Chapter Nineteen "D" and from the rights of the Clearing House thereunder, each of the members hereby grants the Clearing House an authorization and irrevocable power of attorney to carry out the early termination and to debit the monetary account, as specified in the above Chapter One;

5.1.2 the above authorization and power of attorney are irrevocable, since the rights of the Clearing House depend on them, and they shall continue to be in effect for all intents and purposes and shall not be canceled even by a denial of the member's competence or by a receivership of its assets or by its liquidation.

5.2 It is hereby made clear that the above provisions of this Chapter Nineteen "D" do not obligate the Clearing House to act under the above authorization and power of attorney and do not derogate from any right that the Clearing House has under the By-laws or under any statute, and that the Clearing House shall have the right to refrain from acting under the above authorization and power of attorney or to act in any other manner, as it will deem appropriate, including – but without derogating from the generality of the aforesaid – the Clearing House shall have the right to realize collateral given to it under the By-laws, all at the discretion of the Clearing House.

6. **Delegating powers**

6.1 The Clearing House shall have the right (but not an obligation) to delegate any of its powers under this Chapter to any member or to any committee composed – inter alia – of representatives of members, of experts or consultants or of any third party, and it also may employ consultants or experts or any third parties whatsoever and authorize them to perform the acts or any part thereof, all at the discretion of the Clearing House, in any way necessary in order to implement its responsibilities under this Chapter Nineteen "D".

In order to remove doubt, it is hereby clearly stated that the Board of Directors of the Clearing House does not have the right to delegate its powers that are specified in the opening passage of section 2.11, in section 2.1.1.b. and in the opening passage of section 2.1.2 above.

7. **Release from liability**

The Board of Directors of the Clearing House and also the Clearing House and any person on its behalf (including those to whom powers were delegated as said in the above section 6) shall be exempt of responsibility for any act they performed or any omission they omitted in good faith within the framework of an early termination of Repo transactions to which the member is a party or of anything connected thereto, as specified above in this section Nineteen "D", including – but without derogating from the generality of the aforesaid – for any act they committed or any omission they omitted, while using their discretion, also on all matters connected to the use of their powers, as specified in the above sections 2, 3 and 6.

**CHAPTER TWENTY – PROVIDING OPERATING SERVICES FOR THE
MINISTRY OF FINANCE LENDING FACILITY**

1. a. In this Chapter –
 - "**Ministry of Finance**" – the Government of Israel in the name of the State of Israel;
 - "**the lending facility contract**" – the contract signed between the Clearing House and the Ministry of Finance, including all its attachments, as it will be amended from time to time, according to which the Clearing House will operate the lending facility for the Ministry of Finance;
 - "**the lending facility**" – the lending facility created by the Ministry of Finance, for the purpose of lending Government bonds to approved borrowers;
 - "**approved borrower**" – whoever has the right to borrow Government Bonds from the lending facility, in accordance with written notification from the Ministry of Finance, which was received by the Clearing House;
 - "**Government bonds**" – bonds the Government issued under the State Loan Law 5739-1979, which are included in the lending facility and will, under the lending facility contract, be lent to approved borrowers;
- b. Every term in this Chapter shall be interpreted according to its meaning in the lending facility contract, unless the context makes a different interpretation necessary.
2. a. The Clearing House will provide services to the Ministry of Finance in all matters connected to the lending transactions and to the operation of the lending facility (hereafter, together: "operating services"), in accordance with the conditions specified in the lending facility contract, as it will be from time to time, or as will be agreed for this purpose from time to time between the Ministry of Finance and the Clearing House; the lending facility contract is here attached as Appendix Forty-One of the By-laws.
- b. The operating services shall be provided by the Clearing House during the period of the lending facility contract, as long as that period has not ended and the contract has not been canceled.
3. Without derogating from any other agreement in respect of provisions included in the By-laws, each member hereby consents to all the provisions included in the lending facility contract (to the extent that his consent is required), including – but without derogating from the generality of the aforesaid – his consent to the provisions in sections 14, 15 and 16 of the lending facility contract.
4. Without derogating from the generality of the provisions of section 3 above, it is hereby emphasized as follows –

- a. 1) the lending facility contract regulates the relations between the Ministry of Finance and the Clearing House on all matters connected to provision of the operating services by the Clearing House; accordingly no third party whatsoever, including – but without derogating from the generality of the aforesaid – any member or approved borrower whatsoever, shall have any right, remedy or grounds for an action against the Clearing House or against any person who acts on behalf of the Clearing House (as defined in subsection D below) under the lending facility contract or under any statute on any matter connected to the lending facility contract or to the operating services.
- 2) The Ministry of Finance and the Clearing House may, at any time, cancel or change the lending facility contract or the operating services provided thereunder, including – but without derogating from the generality of the aforesaid – the expansion or contraction of the operating services or their content, without obtaining the consent of any third party whatsoever.
- b. 1) As has been specified above, the operating services shall be provided by the Clearing House to and for the Ministry of Finance, in accordance with the lending facility contract and under its conditions; at the same time, and without derogating from the aforesaid, the fees for the operating services shall be paid by the members directly to the Clearing House, as will be specified for this purpose in a tariff, which constitutes an Appendix to the Regulations under Part Six of the Stock Exchange Rules; the fees shall be collected by the Clearing House, in the manner customary at the Clearing House.
- 2) A member is responsible toward the Clearing House for the payment of all fees by every approved borrower, for which the member is the clearing member.
- c. If the Clearing House notifies the Ministry of Finance in writing that – because of reasons that will be specified in the notice and in spite of reasonable efforts made by the Clearing House – it is unable to operate the lending facility in accordance with some or all the provisions specified in the lending facility contract (hereafter in this section: "notice of cessation"), then the Clearing House shall cease to perform the acts specified in the notice of cessation. After the circumstances, which were the basis for the aforesaid cessation of activities by the Clearing House, have passed, the Clearing House shall inform the Ministry of Finance in writing of the date on which the acts it ceased to perform as aforesaid will be resumed (hereafter in this section: "notice of resumption"). The Clearing House shall publish the notice of cessation and the notice of resumption on the Internet site said in section 19.1 of the lending facility contract, immediately after they were delivered to the Ministry of Finance.

- d. The Clearing House and the Stock Exchange and the persons who act on their behalf – that is their officers, managers and the persons employed by them (all these hereafter: "the persons employed by the Clearing House") shall be exempt and shall bear no responsibility or liability whatsoever for any loss, damage, expenditure or deficit of any type or kind whatsoever that are liable to be caused to any person or entity whatsoever including – but without derogating from the generality of the aforesaid – to any member or approved borrower whatsoever, in any connection with activity connected to the lending facility contract (also in consequence of compliance or lack of compliance with provisions of the said contract), including – but without derogating from the generality of the aforesaid – all matters connected to lending transactions or the operation of the lending facility.
5. The provisions of this Chapter shall not derogate from the other provisions, including definitions that are included in the By-laws, as far as they do not contradict the provisions of this Chapter.

CHAPTER TWENTY-ONE – CLEARING DUAL GOVERNMENT BONDS

1. In this Chapter –

"**DGB**" (dual Government Bonds) – Government Bonds issued abroad by the Israel Government through the Ministry of Finance, which are traded abroad and have been listed for trading on the Stock Exchange.
2. The provisions of this Chapter shall apply to the clearing of DGB, and that in addition to the other provisions of the By-laws, which shall apply mutatis mutandis and on condition that the following provisions of Part Two of the By-laws not apply:
 - a. section 1.a., 7.b. and 8 in Chapter Two;
 - b. Chapter Three;
 - c. paragraphs 2, 5 and 14 in section 3 in Chapter Five;
 - d. Chapters Nine, Ten, Eleven and Seventeen.
3. The Clearing House shall keep the DGB that are carried on its books to the members' credit in an account kept in its name with DTC.

Deposit and withdrawal

4. A member who wishes to transfer to the Clearing House DGB that are deposited to the credit of a DTC member with DTC, , in order to have them registered to his credit with the Clearing House, shall do so by depositing the DGB in the Clearing House account with DTC.

Physical DGB certificates cannot be deposited in the Clearing House account with DTC.

5. The deposit of DGB in the member's account with the Clearing House (hereafter: "RF") shall be carried out as specified below:
 - a. A member who wishes to deposit DGB in his account with the Clearing House shall submit an application to the Clearing House for the performance of an RF act, as formulated in Appendix Twenty-one or Twenty-one "A".

Clearing an RF act by the Clearing House shall be on condition that there is perfect conformance between the request submitted by the member and the quantity that he wishes to deposit to his credit in the Clearing House account with DTC.

A request to perform an RF act, which does not in any particular fully conform to the deposit that was made in the Clearing House account with DTC, shall not be carried out at all and shall be returned to the member with a statement of the reason therefor.

If, until the next trading day, the member does not send a new request that

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absolutely conforms to the deposit that was actually made in the Clearing House account with DTC, the Clearing House shall return the quantity of DGB deposited in its account to the DTC member that deposited them in its account, and it shall so inform the member.

- b. If DGB was deposited to a member's credit in the Clearing House DTC account, but the Clearing House did not receive the member's required request to perform an RF act, the Clearing House shall not perform the act.

If until the trading day after the day on which the DGB was deposited in the said Clearing House account the member transmitted a request that an RF act be performed, the Clearing House shall perform the act.

If a request to perform was not transmitted up to the said time, the Clearing House shall return the DGB to the DTC member who deposited them in its account and it shall so inform the member.

- c. The Clearing House may refrain from performing an RF transfer during the period that begins five trading days before the record date for entitlement to a payment and that ends on the payment day in Israel or on the payment day in the United States, whichever is later.

If the Clearing House decided as aforesaid and if during the period said above securities are deposited in the Clearing House DTC account to a member's credit, the Clearing House shall return the securities that were deposited as aforesaid to the DTC member who deposited them in its account, and it shall so inform the member.

- 6. A member who wishes to withdraw DGB from the Clearing House shall give the Clearing House a DF transfer instruction to transfer registered with the Clearing House in his name to the account of a DTC member.
- 7. The withdrawal of DGB from the Clearing House and their transfer to a DTC member (hereafter: "DF") shall be carried out in the manner specified below:
 - a. The member who wishes to withdraw DGB from his account at the Clearing House shall submit to the Clearing House a request to perform a DF act, as formulated in Appendix 22.
 - b. A request to perform a DF act that refers to an actual quantity of DGB greater than the balance registered to the requesting member's credit in the subaccount to which the request refers, shall not be carried out at all and shall be returned to the requesting member with a statement of the reason therefor.
 - c. The Clearing House may refrain from performing an DF transfer during the period that begins on the record date for entitlement to a payment and that ends on the payment day in Israel or on the payment day in the United States, whichever is later.

If the Clearing House decided as aforesaid, it shall so inform the members.

Performance of interest and redemption payments

8. The following shall apply in respect of DGB held by the Clearing House with DTC, on which interest and redemption are deposited in the account of the Clearing House with DTC and are transferred to the account of the Clearing House in Israel:
- a. Interest and redemption payments that will be received in respect of DGB that are deposited in the Clearing House account with DTC shall be transferred by the Clearing House to the Clearing House account in Israel.

The Clearing House shall transfer the interest and redemption payments to the members according to the actual balances entered to their credit at the Clearing House, within one business day after the day on which the account of the Clearing House in Israel was credited with the payment. If that day is not a value day for clearing the currency in which the payment was received, the Clearing House shall transfer the payment to the members on the first business day thereafter that also is a value day for clearing the currency in which the payment was received.

- b. Interest and redemption payments on DCB shall be transferred to the members through the Clearing House without the deduction of tax at the source.

**CHAPTER TWENTY-TWO- PROVIDING OPERATING SERVICES FOR THE
COLLATERAL SYSTEM OF THE BANK OF ISRAEL**

1. a. In this Chapter –

"collateral system contract" – the contract signed between the Clearing House and the Bank of Israel, with all its attachments, as it will be amended from time to time, according to which the Clearing House will operate the collateral system for the Bank of Israel;
"collateral system" – a system for the management of collateral, set up and operated by the Clearing House for the Bank of Israel in accordance with the collateral system contract.
- b. Every other term in this Chapter shall be interpreted within its meaning in the collateral system contract, unless the context makes another interpretation necessary.
2. a. The Clearing House shall provide services for the Bank of Israel on all matters connected to the operation of the collateral system (hereafter: "operating services") in accordance with the conditions specified in the collateral system contract, as they will be from time to time, or as will from time to time be agreed between the Bank of Israel and the Clearing House on this subject. The collateral system contract is here attached as Appendix Forty-two of the By-laws.
- b. The operating services shall be provided by the Clearing House during the period of the collateral system contract and as long as that period has not ended and the contract has not been cancelled.
- 3.. Without derogating from any other agreement on the provisions included in the By-laws, each member hereby agrees (as far as its agreement is required) to all the provisions included in the collateral system contract, and that includes – but does not derogate from the generality of the aforesaid – that it hereby agrees to all the provisions included in sections 9 and 12 of the collateral system contract.
4. Without derogating from the generality of the provisions of section 3 above, the following is hereby emphasized:
 - a. 1) the collateral system contract regulates the relations between the Bank of Israel and the Clearing House on all matters connected to the provision of operating services by the Clearing House; accordingly, no third party whatsoever, including – but without derogating from the generality of the aforesaid – any member or participant whatsoever, shall not have any right, remedy of grounds for action against the Clearing House or against any person who acts on behalf of the Clearing House (as defined in subsection d. below), under the collateral system contract or under any statute, on any matter connected to the collateral system contract or to the operating services.

- 2) The Bank of Israel and the Clearing House may at any time cancel or change the collateral system contract or the operating services provided under it, including – but without derogating from the generality of the aforesaid – the expansion or contraction of the scope of the operating services or of their content, without obtaining the consent of any third party whatsoever.
 - b.
 - 1) As specified above, the operating services will be provided by the Clearing House to and for the Bank of Israel, in accordance with the collateral system contract and under its conditions. At the same time, and without derogating from the aforesaid, the fees for the operating services shall be paid by the members directly to the Clearing House, as shall be specified for this purpose in the price list that constitutes an appendix to the Regulations under Part Six of the Stock Exchange Rules; the fees shall be collected by the Clearing House in the manner that is common practice with the Clearing House.
 - 2) Members are responsible toward the Clearing House for the payment of all the fees by each participant, for whom the members act as MPMCs (members who perform monetary clearing).
 - c. If the Clearing House informs the Bank of Israel in writing that – because of circumstances that shall be specified in the notice and in spite of reasonable efforts made by the Clearing House – the Clearing House is not able to operate the collateral system according to all or some of the provisions specified in the collateral system contract (hereafter in this section: "interruption notice"), then the Clearing House shall cease to perform the acts specified in the interruption notice. After the circumstances that were the basis for the aforesaid interruption of acts by the Clearing House have passed, the Clearing House shall inform the Bank of Israel in writing of the date when the acts it ceased to perform as aforesaid shall be resumed (hereafter in this section: "resumption notice"). The Clearing House shall publish the interruption notice and the resumption notice on the Internet site said in section 16.1 of the collateral system contract, immediately after they were delivered to the Bank of Israel.
 - d. The Clearing House and the Stock Exchange, as well as those who act on their behalf – that is their officers, Directors and employees (all these hereafter called "persons who act on behalf of the Clearing House") – shall be exempt of and bear no liability whatsoever for any detriment, damage, expense or loss of any kind whatsoever that is liable to be caused to any person or entity whatsoever, including – but without derogating from the generality of the aforesaid – to any member or participant whatsoever, in connection with any activity connected to the collateral system contract (including because of any compliance or noncompliance with provisions of the said contract), including – but without derogating from the generality of the aforesaid – all matters connected to the implementation of any participant's deposit orders and withdrawal orders or to the operation of the collateral system.
5. The provisions of this Chapter shall not derogate from the other provisions – including the definitions – included in the By-laws, as far as they do not conflict with the provisions of this Chapter.