TASE Trading Guide Regulations to The Third Part of the Rules

TABLE OF CONTENTS

CHAPTER ONE: TRADING HOURS

1. TRADING SCHEDULE

The schedule for trading shall be as follows*:

a. **For shares, securities convertible to shares, institutional shares and bonds convertible to institutional shares:**

1) The pre-opening phase shall begin at a time to be set by the Board of Directors between 08:00 and 10:00, and it shall end for each security when its opening trading phase begins.

2) The opening trading phase shall begin at a time to be set by the Board of Directors between 09:30 and 12:00. The Board of Directors may set different times for different securities.

Notwithstanding the aforesaid, in the event of a sharp fluctuation in the theoretical TA-35 index, which shall be calculated immediately before opening trading in the first security for which opening trading is held on that trading day (hereafter: "the last theoretical TA-35 index"), or if the rate of change in the last theoretical price of a share included in the TA-35 index is higher than the static threshold, within its meaning in Chapter Five of the Regulations to the Third Part of the Rules, the opening trading phase shall be postponed, as specified in Chapter Five of the Regulations to the Third Part of the Rules.

The opening trading phase for each security shall end when its opening price is determined.

3) The continuous trading phase for each of the securities shall begin when the opening price for that security has been determined, and it shall end at the beginning of its pre close phase.

4) The pre close phase shall begin at the time that the Board of Directors shall set, which shall be between 15:00 and 18:10, and which shall end for each security at the beginning of its closing trading phase.

Notwithstanding the aforesaid, in respect of a security included in the illiquid list, within its meaning in Chapter Five below, and in respect of a security included in the maintenance list, within its meaning in subsection 1. In Chapter four of the

* The Decisions of the Board of Directors on the schedule for trading are specified in the Chapter "Decisions of the Board of Directors" in this guidebook.

Regulations, the pre-closing trading phase of the security shall begin when its opening price is set, and it shall end at the beginning of its closing trading phase.

5) The closing trading phase shall begin at the time to be set by the Board of Directors, which shall be between 15:10 and 18:30. The closing trading phase of each security shall end when its closing price is determined

b. In respect of bonds, warrants on bonds. M.K.M., commercial paper and institutional bonds:

1) The pre-opening phase shall begin at a time to be set by the Board of Directors, which shall be between 08:00 and 10:00, and which shall end for each security when its opening trading phase begins.

2) The opening trading phase shall begin at a time to be set by the Board of Directors between 09:30 and 11:30 and it shall end for each security when its opening price is determined.

3) The continuous trading phase for each of the securities shall begin when the opening price for that security has been determined, and it shall end at the beginning of its pre-closing phase.

4) The pre-closing phase shall begin for each security shall begin at a time to be set by the Board of Directors, which shall be between 15:00 and 18:10, and which shall end for each security when its closing trading phase begins.

5) The closing trading phase shall begin at a time to be set by the Board of Directors, which shall be between 15:10 and 18:10. The closing trading phase for each security shall end when its closing price has been determined.

c. For derivatives:

Trading shall begin at a time to be set by the Board of Directors, which shall be between 09:00 and 10:00 and it shall end at a time to be set by the Board of Directors between 16:00 and 18:30.

d. Trading hours in Passover and Sukkot:

1) In respect of shares, securities convertible to shares, institutional shares and bonds convertible to institutional shares, the continuous trading phase shall end and the pre-closing phase shall begin at a time to be set by the Board of Directors, which shall be between 13:30 and 14:30, and closing trading phase shall begin at a time to be set by the Board of Directors, which shall be between 13:40 and 14:45.

2) In respect of bonds, bond option certificates, M.K.M., commercial paper and institutional bonds, the continuous trading phase shall end and the pre-closing phase shall begin at a time to be set by the Board of Directors, which shall be

between 13:20 and 14:20, and the closing trading phase shall begin at a time to be set by the Board of Directors, which shall be between 13:40 and 14:45.

3) Trading in derivatives shall end at a time to be set by the Board of Directors, which shall be between 13:45 and 14:45.

2. a. Notwithstanding the provisions of the above section 1, when one of the events specified below occurs the General Manager of the Stock Exchange or a person authorized by him may prescribe schedules that differ from the schedules said in section 1, and that either in respect of a single security or in respect of a group of securities:

1) There was or there is expected to be a large volume of trading in a security.

2) An error occurred, either on the part of a member or on the part of the Stock Exchange, in the transmission of orders to the Stock Exchange or in their reception there.

3) A fault occurred in communications between a member and the Stock Exchange, in consequence of which an order or group of orders was not received.

4) A fault occurred in consequence of which an error may occur in trading.

5) A substantive event occurred, in consequence of which the opening of trading was postponed or trading was halted.

6) An event occurred, in consequence of which it is feared that it will not be possible to conduct trading according to the schedule said in section 1.

7) An event is expected to occur, in consequence of which it is feared that it will not be possible to conduct trading according to the schedule said in section 1.

b. 1) If, in accordance with subsection A. above, a timetable different from that set in section 1 is determined for a single security, then trade in it shall end no later than at the time set therefore in section 1 above.

2) If, in accordance with subsection a., a timetable different from that set in section 1 is determined for a group of securities, then trading in them shall end no later than at 19:00.

c. If a schedule different from that prescribed in section 1 has been determined under the above subsection a., notice thereof shall be given to the Stock Exchange members.

3. If trading was halted by a fluctuation of 8% in the TA-35 index, then the Managing Director of the Exchange may change the timetable and extend the time for trading.

4. Repealed.

5. First trading day in securities

TASE shall publish a notice about the first trading day in a security of any day that is a trading day as follows:

a. On Mondays – Thursdays: by 16:00

b. On Sundays: By 15:00

c. On interim holidays of Pesach and of Sukkot: By 14:00

When a said notice has been published, the first trading day of that security shall be on the next trading day after the trading day on with the notice by the Stock Exchange was published.

6. Last trading day in securities

The last trading day for the following securities shall take place at the time specified below:

a. Convertible securities

1) Three trading days prior to the last exercise day or the last exercising day, as the case may be.

2) Notwithstanding the aforesaid, if on the day set for the last trading day of the convertible security, the trading did not take place in the convertible security for any reason or if there was a temporary suspension of trade in the security that lasted more than 30 minutes and at the end of which the trading of the security was not renewed on that trading day, The last of the security for the next trading day.

A notice shall be published about the postponement of the last trading day.

3) If the last trading day was postponed as said in subsection 2. above and on the following trading day the circumstances as stated in paragraph 2 above shall again be held, the last trading day shall not be postponed again.

b. Corporate Bonds

1. Three trading days before the original day of redemption.

2. Notwithstanding the provisions of subsection 1. Above, for corporate bonds on which apply the tax laws of the United States – fifteen days before the original day of redemption. However, if this day is not a trading day, it's the previous trading day.

3. Notwithstanding the provisions of subsection 1. above, if the prospectus of a corporate bond prescribed a record date for entitlement to final redemption, then the last trading day shall be as said in subsection 1. above or three trading days before the record date for entitlement to final redemption, whichever is earlier.

c. Government Bonds

1) If the regulations, according to which a Government bond was issued, do not set a record date for entitlement to final redemption – three trading days before the day of redemption.

2) If the regulations, according to which a Government bond was issued, do set a record date for entitlement to final redemption – three trading days before the record date for entitlement to redemption.

d. **M.K.M.** – three trading days before the day of redemption.

e. **Commercial paper** - three trading days before the day of redemption.

7. Trading not held because of a company event

a. 1) There shall be no trading in a company's shares and securities convertible into shares on the ex-date because of one of the company events specified below (hereafter in this section: "company event"), provided that the ex-date does not come after the determining date and that one or more of the conditions specified in subsection 2) below applies:

– A rights offering;

– A dividend distribution in cash;

– A dividend distribution in kind;

– A company split;

2) **And these are the conditions:**

a) Adjustments that because of the company event must be made in the conditions for the conversion of convertible securities into the company's shares are based on the closing price of the company's share on the record date.

b) The company has securities convertible into shares, which are listed for trading, and according to their conditions there is nothing that is due to each of the company events that prevents their conversion on the ex-date.

c) To the extent that the case is one of a dividend in cash, of a dividend in kind or of a company split – the company has securities convertible into shares that are not listed for trading and according to their conditions there is nothing that is due to the company event that prevents their conversion on the ex-date, and the company announced the distribution of a dividend in cash, of a dividend in kind or of a company split in a fixed total amount or for a fixed total number of shares, as the case may be.

3) a) If trading did not take place because of a company event, as said in the above section 7.a.1), the ex-date shall be postponed to the next trading day said in section 7. This shall not apply again on the postponed ex day.

b) The provisions of the above subsection 3)a) shall also apply if trading in shares was suspended on the determining day because of any other reason whatsoever.

b. 1) Trading in a company's shares and securities convertible into shares shall not be held on the ex-date, due to any one of the company events that are specified below, on condition that the ex-date does not come after the determining day:

– Unification of capital;

– Reduction of capital.

2) a) If trading did not take place because of a company event, as said in the above section 7.b.1), the ex-date shall be postponed to the next trading day said in section 7. This shall not apply again on the postponed ex day.

b) The provisions of the above subsection 2)a) shall also apply if trading in shares was suspended on the determining day because of any other reason whatsoever.

c) Trading in a company's securities that are convertible into shares shall not take place on the ex-date, because of any one of the company events specified below, provided that the ex-date does not come after the determining day, if the company has securities convertible into shares that are listed for trading and according to their conditions there is nothing to prevent their conversion on the ex-date:

– A bonus share distribution;

– A share split;

– A unification of categories of shares.

CHAPTER TWO: THE TRADING UNIT OF A SECURITY

1. In the following instances, the trading unit shall be as specified below:

   a. Listed commercial paper trading before September 29th, 2016 – the trading unit is 1 NIS nominal value.

      Listed commercial paper trading after September 29th, 2016 – the trading unit is 10 NIS nominal value.

   b. For bonds – 1 NIS nominal value, 1 US$ nominal value or Euro 1 nominal value, as the case may be.

   c. For warrants – the trading unit is one warrant .

   d. Repealed

   e. Repealed

   f. For rights – the trading unit is one right unit as appear in the issue's prospectus.

   g. For derivatives – the trading unit shall be one option or one future, as the case may be.

   h. Repealed.

   i. Repealed.

   j. For ETFs – the trading unit shall be one ETF unit.

   k. For foreign exchange-traded fund – the trading unit shall be one unit of the fund.

2. **Odd lot trading**

   Once a year, on the 25th of December, and if that day is not a trading day, on the trading day thereafter, trading shall be conducted in quantities smaller than a trading unit ("odd lots").

   The trading in odd lots shall be conducted by accepting the Exchange members' written orders, carrying them out at the closing prices of the previous trading day preceding the odd lot trading day, and transferring the balance to the credit or debit, as applicable, of the Clearing House member, who is not a custodial member, as defined in the by-laws of the Tel Aviv stock exchange clearing house, with the highest balance in that security on that day.

   The members' orders as said will be received by the Exchange until the day preceding the odd lots trading day.

CHAPTER THREE: CALCULATION OF PRICES

In these regulations-

"Opening Parameter" – a parameter of 1 agora, which serves the TACT system solely for the purpose of trading operations.

1. The base price for trading any security shall be the price determined on the preceding trading day as the closing price, subject to the following provisions:

    a. The base price on the first trading day shall be as designated below. This shall not apply to certain cases articulated in subsections b through j, as stipulated below: :

        1) For shares – the effective price of the share.

        2) For corporate bonds – the price for the bond set in the auction.

        Notwithstanding that stated above:

        - For cases in which the corporate bond is denominated in foreign currency – the price of the bond as set in the auction multiplied by the known representative rate of the currency in which the bond is denominated, in *agorot*.
        - For cases in which the bond is part of an offering unit which includes a bond which has yet to trade on the Exchange and a warrant on a traded stock – the price of the offering unit as set in the auction minus the product of the warrant price calculated according to the Black & Scholes formula multiplied by the number of warrants in the offering unit. The result shall be divided by the number of bonds in the offering unit.

        3) For government bonds – the average price set for the bond in the auction.

        4) M.K.M. – the average price set in the auction.

        5) Convertible bonds – the price of the bond, as set in the auction.

        6) Stock warrants – the price according to the Black and Scholes formula.

        Notwithstanding the above-

        - when an offering unit consists solely of a new warrant on a traded stock – the price of the warrant shall be as set in the auction.
        - when a warrant is part of a unit offering which includes shares that have yet to be traded and the price of the unit offered closed at the minimum – the price of the warrant as set in the company's prospectus or supplemental notice, as applicable.

7) Bond warrants – the price as calculated in subsection 6) above *mutatis mutandis.*

8) Institutional securities – If the company disclosed the security price – the price as disclosed by the company. If the company did not disclose the security price, the TACT system shall, solely for operational purposes, employ the opening parameter of one *agora*.

9) High-tech fund units – the unit price as stated in the prospectus.

10) ETF units –

   a) In cases in which a unit price for the first day of trading is set in the prospectus – the price set in the prospectus.

   b) In cases in which the formula for calculating the unit price on the first day of trading is set in the prospectus – in accordance with the formula stipulated in the prospectus, however for the purpose of calculating the price, the following parameters shall be employed:

      - The last known price of the underlying asset.
      - The known Representative Rate, in *agorot*, of the currency of trade.

11) Derivatives – no opening parameter will be set and the price will be designated as "not yet set".

12) Securities of companies listed on a foreign stock exchange – the last price set for the security on the foreign stock exchange multiplied by the known Representative Exchange Rate in *agorot* of the currency in which it trades on the foreign stock exchange.

13) Rights – a base price shall not be set on the rights trading day; however, solely for operational purposes, the TACT system shall employ an opening parameter.

14) Commercial paper – the price of the commercial paper as set in the auction multiplied by 10.

15) Government bond denominated in a foreign currency – the last price set for the bond on the OTC market multiplied by the known representative rate of the foreign currency, in *agorot*.

In this section a "share's effective price", "offering unit" – as set in the Regulations under the Second Part of the Exchange Rules.

b. The base price of a security of a company, of which its two kind of securities that are listed for trading were combined into one security, shall be calculated as the weighted average of the closing prices of the securities that were combined, according to the ratio of each of the combined securities to the company's capital, in accordance with the number of shares of each of the combined securities on the trading day that precedes the day on which they were combined.

c. 1) The base price on the first trading day of a security is first registered for trading as part of a merger process or of a spin-off process of a registered company, shall be calculated in accordance with the provisions of the Appendix to the Regulations on Base Prices.

2) (a) The base price of a security, excluding an institutional security, on the ex-date shall be calculated in accordance with the provisions of the Appendix to the Regulations on Base Prices.

(b) The base price of a bond or a convertible bond on the ex-date shall not be calculated in accordance with subsection 2)(a) above, if the trading suspended because the company appointed a provisional liquidator, a temporary receiver or a receiver.

If the Exchange has been notified that the payment isn't according to the original terms of the bond or the convertible bond, the base price shall be calculated in accordance with subsection 2)(a) above.

d. 1) The base price of a security, in which trading was renewed after it had been halted for not longer than three months shall be the last closing price set for that security.

2) In respect of a security in which trading was renewed after it had been halted for longer than three months, no base price shall be set; however, for the operational requirements of trading alone, the TACT system shall use an opening parameter.

e. In respect of the security of a foreign company, as defined in the Second Part of the Stock Exchange Rules, and of a unit in a foreign exchange-traded fund listed for trading [on the Exchange] for the first time, the base price for trading shall be the last price set for that security on an exchange abroad, multiplied by the known Representative Exchange Rate (in agorot) of the trading currency of the exchange abroad.

f. The base price of a security that was listed for trading for the first time, and replace, not as part of a merger proceeding listed securities ("Replaced security") shall be equal to the closing price of the replaced security exchanged on the trading day preceding the first day of trading of the security for replacement.

Purposes of this section "security for replacement" means - a security that all its characteristics are identical to those of the replaced security.

g. Should a security traded on the trading platform for institutional investors be transferred to the TACT system, which is not designated specifically for institutional investors, the base price for that security on the first trading day it is traded on the TACT system, as aforesaid, shall be equal to the closing price set for that security, on its final trading day on the institutional trading platform.

h. Should a private placement of shares for 75% or more of the share capital listed for trading following the placement ("large placement") be completed, or the collection of shares, within its meaning in the fourth part of the rules, be completed, no base price for the shares shall be set on the trading day following the placement date or the collection date, as the case may be. However, and solely for operational purposes regarding trading, the TACT system will use an opening parameter.

Notwithstanding that stated above, should the said private placement be carried out incrementally, over more than a single trading day, the Exchange shall examine on each of the said trading days, individually, if it is considered a large placement, and if so determined, the TACT system will employ the opening parameter, as stipulated above.

Should the use of an opening parameter by the TACT system be anticipated, an announcement to this effect shall be made.

i. The General Manager of the Stock Exchange may determine that a base price for a security shall not be set on any trading day if he/she believes that this is necessary in order to maintain the propriety of trading. The Stock Exchange General Manager shall determine, as aforesaid, whether the TACT system will employ the opening parameter.

Should the General Manager of the Stock Exchange determine that a base price for a security not be set on a given trading day, and as a result of this decision, it is anticipated that the TACT system will employ an opening parameter, an announcement to this effect shall be made.

j. For an index mutual fund that is converted into an ETF, the base price on the first trading day following the transition shall be the value of the unit, adjusted for the replacement ratio, as reported by the fund manager. For an ETN converted into an ETF, the base price on the first trading day following the transition, shall be the price set as the reference price of the ETN on its final trading day.

Notwithstanding the aforesaid, the base price of an index mutual fund which merges to become a single ETF shall be the value of a unit adjusted for the merger ratio, as disclosed by the fund manager. The base price of an ETN which merges to become a single ETF shall be the price set as the reference price of the absorbing ETN on its final trading day.

2. Notwithstanding the provisions of paragraph 1 above, the base price of a security, other than a derivative, shall not be less than one agora per trading unit.

3. The base price of a security shall be rounded off to the nearest level for the submission of an order.

3A. a. 1) When the closing phase is concluded for a security, the Stock Exchange shall calculate and publish the closing price for each security separately, as specified in subsection B. below.

2) Closing prices shall be calculated one after the other for all the securities; the order of the securities, for calculation of the closing prices, shall be random and it shall change every day.

b. The closing price shall be calculated as follows:

1)* If the amount of transactions in the closing trading phase reached an amount that the Board of Directors will prescribe, then the closing trading price shall be the closing price.

The Board of Directors may set different amounts for different categories or different groups of securities.

2) If the amount of transactions in the closing trading phase did not reach the amount determined under subsection 3A.b.1) above, then the closing price shall be calculated according to the weighted average of the prices of the transactions carried out in the closing trading phase, together with the transactions carried out with the security during the last ten minutes of the continuous trading phase.

If the last transaction that was included in the calculation of the aforesaid closing price was a transaction that was carried out in the price monitoring auction, within the meaning thereof in Chapter Five of the Regulations to the Third Part of the Rules (hereafter: "Price Monitoring auction"), then for purposes of the calculation only a proportional part of the transaction shall be taken into account, so that the cumulative amount of transactions will be equal to the amount prescribed under the subsection 3A.b.1 above).

3) If the amount of transactions in the closing trading phase, together with the transactions carried out with the security during the last ten minutes of the continuous trading phase, did not reach the amount set under subsection 3A.b.1) above, then the closing price shall be calculated according to the weighted average of the prices of the transactions carried out in the closing trading phase, together with the last transactions carried out with the security during the continuous trading

---

* The Board of Directors resolved that the volume of transactions in the closing trading phase, by type of securities, shall be as follows:

a) for shares included in the TA-35 index – NIS 400,000;

b) for shares included in the Tel Aviv 90 index – NIS 200,000;

c) for all other shares, securities convertible into shares and ETFs for which the tracked asset is a share price index and for a foreign exchange-traded fund for which the tracked asset in a share price index – NIS 100,000;

d) for bonds, warrants on bonds, M.K.M. and commercial paper – NIS 400,000 phase, until their cumulative amount reaches the amount set under subsection 3A.b.1) above.

For this purpose, if, after the last transaction included in the calculation of the closing price the amount of the said transactions is greater than the amount specified above, then the last transaction shall be included in the calculation of the closing price.

If the last transaction that was included in the aforesaid calculation was a transaction that was carried out in price monitoring auction, then for purposes of the calculation only a proportional part of the last transaction shall be taken into account, so that the cumulative amount of transactions will be equal to the amount prescribed under the subsection 3A.b.1) above).

4) However, if the amount of transactions in the closing trading phase, together with the transactions carried out with the security during the last thirty minutes of the continuous trading phase, did not reach the amount set under subsection 3A.b.1) above, then the closing price shall be calculated according to the weighted average of the prices of the transactions carried out in the closing trading phase, together with the transactions carried out with the security during the last 30 minutes of the continuous trading phase and together with the last transactions carried out with the security before the said 30 minutes, in a quantity equal to the minimum for calculation of the closing price.

The minimum quantity for calculation of the closing price is as follows:

a)* In respect of shares, ETFs (including bond market ETFs), foreign ETFs (including foreign bond market ETFs), certificates of deposit, bonds, commercial paper, convertible bonds and option bonds – a quantity of securities with a monetary value to be set by the Board of Directors, which shall be between NIS 20,000 and NIS 50,000;

b) In respect of convertible securities not said in subsection 3A.b.4) a) above - a quantity of convertible securities equal to the minimum quantity for calculation of the closing price of the convertible security's underlying asset, divided by the exercise ratio of the convertible security;

If the convertible security can be converted into more than one other security, then the calculation shall be made separately in respect of each of the

---

* The Board of Directors decided that the value of shares, ETFs (including bond market ETFs), foreign exchange-traded funds (including bond market foreign exchange-traded funds), certificates of deposit, bonds, commercial paper, convertible bonds and option bonds, for the purpose of minimum quantity for calculation of the closing price shall be NIS 30,000.

securities that arise out of its conversion and the largest of the amounts obtained shall be the minimum quantity for calculation of the closing price;

c) In respect of rights to shares and rights to shares and convertible securities – the quantity of trading units equal to the minimum quantity for calculation of the closing price.

In respect of rights to convertible securities alone – the quantity of trading units equal to the minimum quantity for calculation of the closing price of that convertible security, of which the largest quantity was offered in the issue unit;

d) In M.K.M.– a quantity equal to the minimum quantity for a securities order.

e) Notwithstanding the provisions of subsection 3A.b.4)a) through 3A.b.4)c) above, on each trading day on which an opening parameter is set , as stipulated in Section 1 of Chapter Three, the minimum quantity for calculation of the closing price shall be 1,500 trading units.

f) (1) The minimum quantity for calculation of a closing price shall be calculated every month, on the last trading day of the month, and it shall remain in effect during the entire month, subject to the provisions of section 3A.b.1)(2) below;

(2) On the ex-date for rights for adjustment the quantity of securities shall be adjusted by the rights distributed according to the base price of the security on that day;

For this purpose, if the last transaction included in the calculation of the closing price was carried out during the continuous trading phase, and if – after the transaction was added – the number of securities in said transactions exceeds the minimum quantity for calculating the closing price of the security, then the last transaction in its entirety shall be included in the calculation;

If the last transaction included in the calculation of the closing price was carried out during the opening trading phase or in the price monitoring auction, then only the proportional part of the said last transaction shall be taken into account for the calculation, so that the quantity of securities in the transactions will equal the minimum quantity for calculating the closing price of the security;

If the quantity of securities in the transactions carried out before the said thirty minutes does not reach the minimum quantity for calculating the closing price of the security, then the closing price shall be calculated according to the weighted average of the prices of all the transactions carried out on that day;

5) If no transactions were carried out during the closing trading phase and during the continuous trading phase, then the closing price shall be set at the opening price of the security on that trading day;

6) If continuous trading was resumed after trading in the security was halted, then the said closing price shall be set as follows:

   a) If more than thirty minutes are left until the end of the continuous trading phase for the security, then the closing price shall be set as specified in subsection 3A.b.1) to 3A.b.4) above, as the case may be, but in no case shall transactions carried out before the additional opening phase be included in the calculation.

   b) If thirty minutes or less are left until the end of the continuous trading phase for the security, then the closing price shall be set as specified in subsection 3A.b.1) to 3A.b.3) above, as the case may be; for this purpose, transactions carried out after the additional opening phase shall be included in the calculation.

      If the said amount of the transactions does not reach the amount prescribed under subsection 3A.b.1) above, then the closing price shall be calculated according to the weighted average of prices in the transactions carried out with the security in the closing trading phase, together with the transactions carried out with the security in the continuous trading phase after the additional opening phase, and together with the transactions carried out during the additional opening phase, or part of the transactions carried out during the additional opening phase, until its cumulative amount equals the amount prescribed under subsection 3A.b.1);

   c) If no transactions were carried out in the closing trading phase and in the continuous trading phase after the additional opening phase, then the closing price shall be set at the additional opening price of the security on that trading day;

   d) If trading in the security was resumed during the pre-closing phase, then the closing price shall be set at the closing trading price.

7) If trading in a security was opened belatedly, because trading in the security was halted, then the closing price of the security shall be set as specified in subsection 3A.b.6) above, but wherever in subsection 3A.b.6) it says "additional opening price", read "opening price", and wherever there it says "additional opening trading phase", read "opening trading phase".

8) In respect of a security included in the illiquid list, and a security included in the maintenance list, the closing price shall be calculated as prescribed in subsection 3A.b.1) above; if the amount of transactions in the closing phase did not reach the amount prescribed under subsection 3A.b.1) above, then the closing price shall be

calculated according to the weighted average of the prices of transactions carried out with the security in the closing trading phase, together with the transactions carried out during the opening trading phase, or with part of the transactions carried out during the opening trading phase, until its cumulative amount equals the amount prescribed under subsection 3A.B.1).

9) Repealed.

10) a) Notwithstanding the provisions of subsections 3A. b.1) through 3A.b.8) above, if the quantity of securities, according to which closing prices were calculated, is less than the elementary quantity for calculating closing prices, as defined below, as the case may be, then the closing price shall be calculated in the manner specified in subsection 3A.b.10)b) below.

For the purpose of this section –

"The elementary quantity for calculating closing prices"

(1) for shares, convertible bonds, option bonds, certificates of deposit, ETFs (including bond market ETFs), foreign exchange-traded funds (including bond market foreign exchange-traded funds), bonds issued by the Government of Israel, institutional securities, corporate bonds and commercial paper – the quantity of securities whose monetary value comes to NIS 2,000.

(2) for convertible securities not designated in sub-paragraph (1) above – the smallest quantity of convertible securities of the following alternatives, but no less than a one trading unit:

(a) the quantity of securities whose monetary value comes to NIS 2,000.

(b) 0.5% the total convertible securities listed for trading.

(3) for rights – one rights trading unit.

(4) for M.K.M. – 2,000 face value M.K.M.

(5) Repealed.

a1) (1) The elementary amount for calculating closing prices, as stated above in subsections a)(1) and a)(2) above, shall be calculated monthly, at the conclusion of the last trading day of the month and shall remain in effect for the entire month, subject to the stipulations of subsection (2) below.

(2) On the *ex*-rights date, the quantity of securities shall be adjusted for the distributed rights according to the base price of the security on that day.

(3) The quantity of securities calculated under subsections a)(1) and a)(2) above shall be rounded as stipulated in the following table:

When the quantity of securities is as follows:	**The quantity shall be rounded as follows:**
0 - 100	to the closest whole number
101 – 1,000	to the closest 10
1,001 – 10,000	to the closest 100
10,001 – 100,000	to the closest 1,000
Above 100,000	to the closest 10,000

b) If the quantity of securities, according to which the closing price of a security was calculated, is smaller than the quantities specified in subsection 3A.b.10) above, as the case may be, then the closing price shall be calculated in the following manner:

(1) The price of the security shall be calculated in the manner prescribed in subsection 3A.b.1) to 3A.b.9) above, as the case may be;

(2) The differential between the price calculated for the security as said in subsection 3A.b.10)b)1) above and the base price of the security shall be calculated (hereafter: "the price differential");

However, if trading in the security was halted, then the price differential shall be determined as the differential between the price determined as said in subsection 3A.b.10)b)(1) above and the additional opening price of the security;

(3) The ratio shall be calculated of the quantity of securities, according to which the price said in subsection 3A.b.10)b)(1) above was determined, to the quantity specified in subsection 3A.b.10)a) above, as the case may be (hereafter: the ratio);

(4) The product of the price differential times the ratio, shall be calculated (hereafter: the product);

(5) The closing price of the security shall be set at the sum of the base price, plus the product

However, if trading in the security was halted, then the closing price shall be set as the sum of the additional opening price, plus the product.

c) The above subsections a) and b) shall not apply to securities on a trading day on which a base price was not set for that security, unless an opening parameter of 1 was set for it, solely for the purpose of trading operations,

11) If trading in a security was halted and was not resumed on the same trading day, then the closing price shall be set as said in subsection 3A.b.1) to 3A.b.5) and in subsection 3A.b.7) to 3A.b.10) above, mutatis mutandis;

12) If a security was not traded on any trading day, then the closing price shall be set at the base price of the security on that trading day.

c. If a transaction that was included in the calculation of a said closing price was cancelled, then the General Manager of the Stock Exchange may order the closing price of that security to be calculated anew, in the manner specified in subsection 3A.b. above and the Stock Exchange indices be recalculated accordingly.

d. The closing price of a security is its reference price and it shall be expressed according to the steps prescribed in section 3.d. in Chapter Five below.

4. The price of a security traded on the Exchange, other than a derivative, shall not be less than one agora and not more than 9,999,900 agorot per trading unit.

5. The price of a trading unit of options on a share index, on options on share, on options on fixed-rate non-linked Israel government bond and on a foreign exchange rate shall not be less than NIS 1 and not more than NIS 999,990.

6. The price of a trading unit in futures on a share index and of futures on a foreign exchange rate shall not be less than NIS 10 and not more than NIS 999,990.

7. The price of a trading unit in three-month futures on interest rates shall not be less than one percentage point and not more than 100.00 percentage points.

8. The price of a trading unit in futures on the Consumer Price Index shall not be less than one point and not more than 9,999.95 points.

CHAPTER FOUR: PRICE FLUCTUATIONS

1. **Price fluctuations of securities other than derivatives**

a. 1) The maximum price fluctuation permitted on a trading day, in the opening phase, shall be as follows:

a) For shares and bonds convertible into shares – 35% of the base price of the security;

b) For option certificates and bond options that may be exercised in shares – 35% of the base price of the exercised shares, multiplied by the exercise ratio;

c) For bonds – 6% of the base price of the bonds;

d) For bond options – 6% of the base price of the bonds to be exercised, multiplied by the exercise ratio;

e) For M.K.M. – 6% of the base price of the M.K.M.

f) Repealed.

2) Notwithstanding the provisions of subsection 1) above, there shall be no limit on the permitted price fluctuation in the instances specified below:

a) On the first trading day of securities traded for the first time and of securities in which trading is being renewed after a halt of more than one month, and in each day of the following trading days, until and including the trading day on which trading occurred for the first time in the security.

b) On the last four trading days before a security is delisted from trading;

c) On the trading day "ex rights" of shares and convertible securities;

d) On the trading day "ex spin off process" of shares and convertible securities of the listed company, in which a spin off process was carried out;

For purposes of this section "spin off process" – within its meaning in section 91.d. of Part Two of the Rules.

e) On the last trading days before a security lapses or is redeemed;

f) In the separate opening trading, as defined in section 1A.b of Chapter 5 in these Regulations.

g) On each trading day on which an opening parameter is set for a security, as stipulated in Section 1 of Chapter Three, until and including the day on which trading in that security on TASE is initially conducted.

h) In addition to the provisions of subsections a) through g) above, should the General Manager of the Exchange or someone authorized by him deem it necessary for the purpose of maintaining orderly trade in any security on a given day, he is entitled to determine that the permissible price fluctuation for that security, on that day, is unlimited.

Should an unlimited price fluctuation be set, as stipulated above, an announcement to this effect shall be released.

b. During the continuous trading phase, the pre-closing phase and the closing trading phase, unlimited price fluctuations will be permitted.

c. Unlimited price fluctuation will be permitted during the Additional Opening Phase of a security, for which trading had been halted for a set term.

2. Price fluctuations in derivatives shall be unlimited.

CHAPTER FIVE: TRADING IN SECURITIES EXCLUSIVE OF DERIVATIVES

1. **Phases of Trading**

In these Regulations:

"The Reference Price " – The price of the last transaction in the security; however, until the first transaction in the security is carried out on a certain trading day, the reference price shall be equal to that security's basis price on that day;

"Price Monitoring" –

a. In the opening phase, in respect to a security that is not included in the TA-35 index – the postponement of opening trading with that security in accordance to the Regulations herein and subject to the exceptions specified below.

b. In the continuous phase – shift to a price monitoring auction in the security, in accordance to the Regulations herein and subject to the exceptions specified below.

c. In the pre-closing phase - the postponement of closing trading in the security, in accordance to the Regulations herein and subject to the exceptions specified below.

"Price Monitoring Auction" – Trading carried out in the format of opening trading, following the use of price monitoring in the course of the continuous trading phase.

"Multi-lateral Trading" – Opening trading, additional opening trading, separate opening trading, price monitoring auction and closing trading.

“Iceberg Order” (ICE) – A limit order submitted with three portions: total volume, initial peak size and additional peak size that is intended to be shown.

“Initial Peak size of an Iceberg order" – the portion of an iceberg order to be displayed in the order book upon submission of the order.

“Additional Peak size of an Iceberg order” – the portion of an iceberg order designated to be displayed in the order book following the full execution of the initial peak size.

“Visible portion of an iceberg order- the portion of an iceberg order designated for display in the order book.

“Hidden Portion of an iceberg order" – the total volume of the order less the portion of the order which has been executed and less the visible portion of the order at that time;

"Fill Or Kill Order" (FOK) – A limit order to be carried out completely and immediately;

"Immediate Or Cancel Order" (IOC) – A limit order to be carried out immediately and completely;

"Stop-Limit Order" (STL) – A limit order, which in addition to the price to which it is limited, set that it will become executable in the order book only when the price of the last transaction equals or is higher than a specified price, or alternatively, when the price of the last transaction equals or is lower than a specified price (hereafter: "triggering price"). Upon triggering, the order will be registered in the order book for execution according to the price limit designated on it;

"Market Order (MKT)" – A buy order or a sell order, not limited by price, to be carried out at the market price;

"Limit Order" (LMT) – A buy order or a sell order limited by any price;

"Limit Order for the Opening Trade (LMO)" – A limit order to be carried out only during the opening trading phase;

"Triggering" – Submission in the order book of a stop-limit order for the purpose of executing transactions according to the price limit stipulated on the order.

"Dynamic Threshold" – The expected rate of change in the price of a security compared to the reference price of that security, as the Board of Directors shall determine, on condition that the transaction in which the reference price was set was carried out during or after the last multi-lateral trading in the security. The Board of Directors may set different values of the Dynamic threshold for different categories of securities or for different groups of securities.

"Static Threshold" –

a) In the Pre-Opening phase – The rate of change of the last theoretical opening price of the security compared to its basis price, as the Board of Directors will prescribe.

b) In other trading phases – The expected rate of change in the price of the security compared to the price determined in the last multi-lateral trading that was held in the security, as the Board of Directors will prescribe.

The Board of Directors may set different values of the static threshold for different categories of securities or for different groups of securities.

Trading will take place in five trading phases, as specified below.

a. The Pre-opening Phase

No transactions will be carried out during this phase of trading.

1) A member may only submit buy and sell orders to the Exchange, as specified below:

a) Limit orders (LMT), where the price is limited between the base price and the limit of the permitted daily fluctuation during the opening phase;

b) Limit orders for the opening trade (LMO), where the price is limited between the base price and the limit of the permitted daily fluctuation at the opening phase.

c) Stop-Limit Order (STL). Orders of this type shall be submitted in the order book as trigger pending orders and will not participate in the Opening trading phase.

d) Iceberg Order (ICE), for which the limit starts at the base price up until the daily price fluctuation permitted in the Opening trading phase.

Orders that differ from those specified above shall be rejected and notice thereof shall be sent to the member who submitted them.

2) Orders submitted shall be registered in the order book.

3) The precedence of the orders shall be determined as follows:

a) Buy side – Orders stipulating higher price limits shall have priority over orders with lower price limits.

b) Sale side – Orders stipulating lower price limits shall have priority over orders with higher price limits.

c) For orders stipulating the same price limit, buy and sell orders separately, priority shall be set as follows:

(1) Limit orders, limit orders for opening phase and the initial peak of iceberg orders, according to the order received by TASE;

(2) Hidden portions of iceberg orders, according to the order received by TASE.

4) a) The Exchange shall, for each security separately, calculate and publish the price and the trading volume that would have been determined, if the opening trading said below had been carried out for that security at the time the calculation was made, and that in accordance with the buy and sell orders for that security received until the time of the calculation. (The said price shall hereafter be called the "theoretical price" and the said trading volume shall hereafter be called the "theoretical opening volume").

The theoretical opening price of a security is the price at which a full or a partial balance was reached between buy and sell orders, excluding trigger pending orders, subject to the precedence set in paragraph 3) above and at which the trading volume is the highest.

If the highest trading volume of a certain security is reached at more than one price, then the price nearest the base price shall be the theoretical price.

If no full or partial balance between buy and sell orders is reached or if no orders at all were submitted for that security, then its basic price shall be the theoretical opening price of that security.

b) Publication of the theoretical opening prices and of the theoretical opening volumes for each of the securities shall begin 10 minutes after the beginning of its pre-opening.

When, beginning with that moment, an additional order is submitted for any security, and then up-dated theoretical prices and theoretical trading volumes shall be calculated and published for that security.

5) **The transition to the opening trading phase**

a) Immediately before the beginning of the opening trading phase (hereafter: "The Original Opening Time") the last theoretical TA-35 index and the last theoretical opening price for each security shall be calculated.

b) Should the last theoretical TA-35 index value fluctuate by less than 2.5% relative to the base index value on that day, or if the rates of change in the last theoretical prices of all the shares included in the TA-35 index, which are not shares bearing 0 weight in the index, equal or are lower than the static thresholds determined for those shares - opening trading shall take place at the original opening time.

Should the last theoretical TA-35 index value fluctuate by 2.5% or more relative to the base index value on that day, and if the rate of change in the last theoretical price of a share included in the TA-35 index, which is not a share bearing 0 weight in the index exceeds the static threshold set for that share, opening trading on that day shall be postponed for a time that shall be set randomly that shall be between 3 and 4 minutes long (hereafter: "The First Extension").

c) At the end of the first extension, immediately before the opening trading, the last theoretical TA-35 index and the theoretical opening price of every security shall be recalculated.

d) Should the last theoretical TA-35 index value fluctuate by less than 2.5% relative to the base index value on that day, and if the rates of change of the last theoretical prices of all the shares included in the TA-35 index, which are not shares bearing 0 weight in the index, equal or are lower than the static thresholds prescribed for those shares - opening trading shall take place at the end of the first extension.

Should the last theoretical TA-35 index value fluctuate by 2.5% or more relative to the base index on that day, or if the rate of change in the last theoretical opening price of a share included in the TA-35 index, which is not a share which has 0 weight in the index , exceeds the static thresholds determined for that share, opening trading on that day shall be postponed for a second time that is to be set randomly and that shall be between 3 and 4 minutes (hereafter: "The Second Extension").

e) At the end of the second extension, immediately preceding the time for beginning the opening trading phase, the last theoretical TA-35 index shall be recalculated.

f) If the last theoretical TA-35 index value changed by less than 5% from the base index value on that day, opening trading on that day shall take place at the end of the second extension.

If the last theoretical TA-35 index value changed by 5% or more from the base index value on that day, opening trading on that day shall again be postponed, by an arbitrary amount of time of between 29 and 30 minutes (hereafter: "the first circuit breaker").

g) Upon activation of the first circuit breaker, the following shall take place:

(1) Trading in derivatives of shares and in derivatives of share indexes shall be stopped. The said trading in derivatives will be renewed when the opening phase of trading in shares takes place,

(2) A notice that the first circuit breaker was activated shall be published immediately over the Stock Exchange information distribution system;

(3) If the of the last theoretical TA-35 index value, as calculated under subsection e) above, changed by 12% or more from the base index value on that day, then the General Manager of the Stock Exchange may postpone the opening trading phase on that day by more than 30 minutes or until the end of the trading day, and that in consultation with the Chairman of the Board of Directors.

h) At the end of the first circuit breaker, immediately prior to the start of the opening trading phase, the last theoretical TA-35 index value shall be recalculated.

i) If the last theoretical TA-35 index fluctuated by less than 12% from the base index value on that day, opening trading on that day shall take place at the end of the first circuit breaker.

If the of the last theoretical TA-35 index value, as calculated under subsection e) above, changed by 12% or more from the base index value on that day, then opening trading in shares, in securities convertible into shares, in ETFs for which the tracked asset is a share price index and in foreign exchange-traded funds for which the tracked asset is a share price index, excluding institutional shares and excluding bonds convertible to institutional shares, shall be postponed and trading in derivatives written on shares and derivatives written on share price indexes shall be halted (hereafter: "second circuit breaker").

j) Upon activation of the second circuit breaker, the following shall take place:

(1) A notice that the second circuit breaker was activated shall be published immediately over the Stock Exchange information distribution system;

(2) The General Manager of the Stock Exchange may, in consultation with the Chairman of the Board of Directors, postpone the opening trading phase on that day by an additional 30 minutes, or he may stop trading until the end of the trading day.

k) (1) If the opening trading phase was postponed twice on the same day due to circuit breaker activation and if the last theoretical TA-35 index value, which was calculated at the end of the second circuit breaker, changed by 12% or more from the base index value on that day, then the General Manager of the Stock Exchange or a person authorized by him shall halt trading in shares, in securities convertible into shares, in ETFs for which the tracked asset is a share price index and in foreign exchange-traded funds for which the tracked asset is a share price index, in derivatives of shares and in derivatives of share indexes, excluding institutional shares and excluding bonds convertible to institutional shares, and this until the end of the trading day.

(2) Notwithstanding the aforesaid, the General Manager of the Stock Exchange may, in consultation with the Chairman of the Board of Directors, resume trading on the same trading day, if it is his opinion that under the circumstances there is justification for doing so.

When the decision to resume trading has been made, the General Manager of the Stock Exchange may decide to change the trading schedule and notice thereof shall immediately be made public on the information distribution systems of the Exchange. A said resumption of trading may occur after less than 30 minutes from the announcement of the trading halt.

l) The provisions of the above subsections f) to k) shall not apply on the trading day following the day on which the last theoretical TA-35 index fluctuated by 12% or more from the base index value of that day.

m) In addition, and subject to the aforesaid, for a security that is not included in the TA-35 index and in a share included in the TA-35 index which bears 0 weight in the index, the transition to the opening trading phase shall be as specified below:

(1) If the rate of change in the last theoretical price of the security relative to its base price is higher than the static threshold determined for that security, price monitoring shall be activated for that security during an interval that shall be determined randomly and that shall be between 3 and 4 minutes.

(2) At the end of the price monitoring aforementioned in subsection 1) the last theoretical opening price of the security shall again be calculated according to the orders for the security that were submitted up to the time of the calculation.

(3) If the rate of change in the last theoretical price of the security compared to its base price is equal to or lower than the static threshold determined for that security, opening trading in that security shall take place.

(4) If the rate of change in the last theoretical price of the security compared to its base price is higher than the static threshold determined for that security, price monitoring shall again be activated for that security during an interval that shall be determined randomly and that shall be between 3 and 4 minutes, followed by opening trading in that security.

b. The Opening Trading Phase

1) During this trading phase, sell orders submitted for each security during the pre-opening phase, excluding trigger pending orders, shall confront such buy orders, and an opening price and trading volume shall be established for each security.

2) The orders registered in the order book shall be carried out in the order of precedence set in subsection A.3) above, at the opening price determined as said below.

3) a) The Exchange shall calculate the opening price of each security separately, in accordance with the orders submitted during the pre-opening phase, excluding trigger pending orders.

If a transaction included in the aforesaid calculation of the opening price was canceled, then the General Manager of the Stock Exchange may order the opening price of that security to be calculated anew, as specified in paragraphs 4) and 5) below, and Exchange indexes to be calculated anew in accordance therewith.

b) The calculation of the opening price shall be made, for each of the securities, one after the other; the order of the securities for calculating the price shall be random and it shall change every day.

4) The opening price of a security is the price at which buy and sell orders are in full or partial balance, excluding trigger pending orders, subject to the order of precedence prescribed in subsection A.3) above, and at which the trading volume is the highest.

If the highest trading volume of a certain security is reached at more than one price, then the price nearest the base price shall be the opening price.

5) If no full or partial balance between buy and sell orders is reached or if no orders at all were submitted for a security, then the opening price of that security shall be its base price and the trading volume shall be zero.

6) Repealed.

7) Repealed.

8) a) Orders that were not carried out during the opening phase of trading, excluding trigger pending orders, as well as the part that was not carried out of the orders that were carried out in part during the opening phase of trading shall be transferred automatically to the continuous trading phase specified below.

b) The aforesaid LMT orders shall be transferred to the continuous trading phase with their original limits.

c) Stop-limit orders submitted during Pre-opening phase shall be transferred to the Continuous trading phase.

d) The precedence of the said orders during the continuous trading phase shall be in accordance with the time when they were originally received by the Exchange.

The provisions of this subsection shall not apply to iceberg orders which were transferred from the Opening to the Continuous trading phase and the executed portion during the opening phase exceeding or equal to the visible portion. In such case, at the beginning of Continuous phase, the additional peak size of the iceberg order shall become the visible portion and the priority of execution of this portion shall be as specified in subsection 6.c) below.

e) LMO orders, which were not carried out during the opening phase of trading, as well as the part not carried out of the said orders that were carried out in part during the opening phase of trading shall be cancelled.

c. The Continuous Trading Phase

1) During this phase of trading, transactions are carried out on a bilateral basis. In each transaction the price of the transaction and the volume traded shall be determined.

1a) a) For each security, upon the beginning of Continuous phase in it, the

stop-limit orders meeting the triggering criterion with respect to the opening price shall be activated. The order of priority of triggering will be as follows:

(1) According to the absolute value of the difference between the trigger price and the opening price, from the orders with the highest difference to those with the lowest difference.

(2) Orders for which the absolute value of the difference between the trigger price and the opening price is equal, according to the order received by TASE.

b) The prevision of subsection a) above shall not apply to securities for which an opening price was set but trading volume was zero. In such case, stop-limit orders shall be triggered immediately following the execution of the first Continuous trade transaction in the security on that same day. The order of priority for triggering shall be set with respect to the price set in this transaction.

2) A member may submit buy and sell orders to the Exchange only as specified below:

a) Limit Orders (LMT).

b) Market Orders (MKT).

c) Fill or kill Orders (FOK).

d) Immediate or Cancel Orders (IOC).

e) Stop-Limit Order (STL)

f) Iceberg Order (ICE)

g) A pre-arranged order can only be submitted as a limit order (LMT) or as Fill or kill order (FOK) or Immediate or Cancel order (IOC) or Iceberg Order (ICE).

Orders that differ from the above will be rejected.

3) Orders submitted at this phase of trading are examined, in the order of their arrival at the Exchange, whether they can be carried out against counter orders that are registered in the order book.

Stop-limit orders shall be examined as aforementioned only following their triggering.

4) An LMT order, iceberg order, triggered stop-limit order, Fill or kill Order and Immediate or Cancel Order, that is a buy order will be carried out against LMT orders, triggered stop-limit orders and iceberg orders that are sell orders with limits lower than or equal to the limit in the buy order, beginning with the sell order on which the price limit is the lowest and moving up to the sell order on which the price limit equals the price limit of the buy order or until the entire buy order is carried out, as the case may be, subject to subsections 4b) to 4d) below.

An LMT order, iceberg order, triggered stop-limit order, Fill or kill Order and Immediate or Cancel Order, that is a sell order will be carried out against LMT orders, triggered stop-limit orders and iceberg orders that are buy orders with limits higher than or equal to the limit in the sell order, beginning with the buy order on which the price limit is the highest and moving up to the buy order on which the price limit equals the price limit of the sell order or until the entire sell order is carried out, as the case may be, subject to subsections 4a) to 4b) below.

An MKT order that is a buy order will be carried out against LMT orders, triggered stop-limit orders and iceberg orders that are sell orders, beginning with implementation against the sell order on which the price limit is the lowest and up to the sell order on which the price limit is the highest, and that until the entire buy order is carried out, subject to subsections 4b) to 4d) below.

An MKT order that is a sell order will be carried out against LMT orders, triggered stop-limit orders and iceberg orders that are buy orders, beginning with implementation against buy orders on which the price limit is the highest and moving down to the buy order on which the price limit is the lowest, and that until the entire sell order is carried out, subject to subsections 4b) to 4d) below.

4a) Iceberg orders submitted to this trading phase and not fully executed as stipulated in subsection 4) above, shall be submitted in the order book with a visible portion and a hidden portion, where the visible portion shall equal the volume of the initial peak. However, should the size of the remaining portion following transaction execution as stipulated in subsection 4) above, be smaller than the initial peak, the visible portion will equal the volume of the remaining portion.

Following the execution of the entire visible portion of the order, the hidden portion shall become the visible portion as follows:

a) Should the hidden portion equal or exceed the additional peak – the additional peak size shall become the visible portion and the hidden portion shall be reduced accordingly.

Notwithstanding that stated above, if following a reduction in the hidden portion as stipulated in this subsection, the volume of the hidden portion falls below the minimum order size, then the entire hidden portion shall become the visible portion, and the hidden portion shall be cancelled out.

b) Should the hidden portion be less than the additional peak size – the entire hidden portion shall become the visible portion and the hidden portion shall be cancelled out.

4a1) Upon the submission of a stop-limit order, the trigger criterion shall be examined. If the criterion is met – the order shall be triggered in the order book immediately. If the criterion is not met – the order will remain in the order book triggered pending until the trigger criterion is met.

4a2) Following each transaction in a security, the stop-limit orders for that security will be examined and the orders meeting the trigger criterion with respect to the price of that transaction shall be activated. The priority order set for triggering orders shall be as follows:

a) Among the stop-limit orders for which the trigger price set in the order equals or exceeds a certain price - all orders with lower trigger prices shall have priority over those with higher trigger prices.

b) Among the stop-limit orders for which the trigger price set in the order equals or is lower than a certain price - all orders with higher trigger prices shall have priority over those with lower trigger prices.

c) The order of priority for triggering stop-limit orders with the same trigger price shall be the order in which they are received by TASE.

4b) When LMT order has been submitted or iceberg order or upon stop-limit order triggering, the prices at which the order is to be carried out shall be examined. If, in consequence of the order, the expected rate of change in the price of the security is greater than the dynamic or the static threshold, transactions in which the fluctuation is lower than or equal to the dynamic or the static threshold, as the case may be, shall be carried out immediately as specified in the above subsection 4), and immediately after that price monitoring shall be activated during an interval that shall be determined randomly and that shall be between 5 and 6 minutes, and a price monitoring auction for that security shall take place, subject to the adjustments and changes specified below:

a) The part of the order that was not filled after the aforesaid transactions were carried out shall be entered in the order book.

b) A member may submit buy and sell LMT orders, stop-limit order (STL) and iceberg orders (ICE) to the Stock Exchange.

Stop limit orders submitted during a price monitoring for which the trigger criterion holds with respect to the last executed transaction price prior to the start of the price monitoring, shall be activated immediately upon submission and shall participate in the trading conducted during the price monitoring.

c) While those orders are being accepted, a theoretical price and a theoretical trading volume of the security shall be published.

d) At the end of the period for the acceptance of aforesaid orders, the buy and sell orders that were in the order book shall be matched; if a complete or a partial matching between the buy and sell orders was not achieved or if no orders at all had been submitted for the security, the reference price of the security shall be the price for the price monitoring auction; if the highest trading volume of the security was achieved at more than one price, the price nearest to the reference price of the security shall be the monitoring auction price.

e) In a price monitoring auction of a security an unlimited fluctuation of its price is permitted.

f) After the price has been established in the price monitoring auction continuous trading shall be resumed.

g) When the time for the acceptance of orders for a security in the course of the Pre-closing phase has ended, the provisions of the above paragraphs a) to f) shall apply; however, the time for concluding the price monitoring auction shall be postponed and it shall come when closing phase trading is in progress.

h) The price monitoring mechanism does not cancel orders that were submitted before the price monitoring auction began.

4b1) When MKT orders or FOK orders are submitted, the prices at which the orders are to be filled shall be examined and the following shall apply:

a) Transactions that are to be carried out in consequence of said orders, in which the fluctuation is lower than or equal to the dynamic or the static threshold, as the case may be, shall be carried out immediately, as specified in the above subsection 4).

b) The part of an order that was not filled after the transactions mentioned in the above subsection a) had been carried out shall be erased and shall not be entered in the order book.

4c) When IOC orders are submitted, the prices at which the orders are to be carried out shall be examined; if the expected rate of change in the price of the security is greater than the dynamic or the static threshold, the order shall be erased and no transactions shall be carried for it.

4d) The provisions of the above subsections 4b) to 4c) shall not apply to the cases specified in section 1B. below.

5) All or part of a limit order, or a triggered stop-limit order, in its entirety or part of it, or an iceberg order, in its entirety or part of it, which was not matched against other orders registered in the order book as aforesaid shall be registered in the order book.

MKT order that was not matched against other orders that are registered in the order book shall be registered in the order book, subject to the provisions of the above subsection 4b1), as an LMT order limited by the price of the last transaction that was carried out with that security.

If MKT order was only filled in part, the part that was not filled shall be registered in the order book, subject to the provisions of the above subsection 4b1), as an LMT order limited by the price of the last transaction that was carried out with the part that was filled.

If no transactions with the security had as yet been carried out during the Continuous Trading Phase, then an MKT order shall be registered in the order book as an order limited by the opening price.

6) Orders registered in the order book, excluding trigger pending orders, shall be carried out in the order of precedence specified below:

a) Buy side – limit orders with high price limits shall have priority over limit orders with lower price limits.

b) Sale side – limit orders with low price limits shall have priority over limit orders with higher price limits.

c) For orders with the same price limit, buy and sell orders separately, the order of priority shall be as follows:

(1) Limit orders, activated stop-limit orders and visible portions of iceberg orders – in order of received by TASE. For the purpose of this subsection (1), the time at which a stop-limit order is activated and the time at which a portion of an iceberg order is converted to the visible portion shall be considered as the time at which these were received by TASE.

(2) Hidden portions of iceberg orders, according to the order in which they were received by TASE.

7) The transactions shall be carried out at the price of the order, which appeared in the order book.

8) Limit orders and iceberg orders which were fully executed shall be deleted from the order book.

If a limit order or an iceberg order or a market order was carried out in part, then the part that was not carried out shall remain on the order book, subject to the aforementioned, and it shall be carried out according to its precedence as mentioned in the above subsection 6.

9) At the end of the continuous trading phase for each security, all orders in the order book shall be transferred to the pre closing phase.

10) Fill or Kill orders and Immediate or Cancel orders that were not carried out and the parts of fill or kill orders that were not carried out immediately after the orders were received by the Stock Exchange shall be canceled and they shall not be entered in the order book.

d. The Pre-Closing Phase of Trading

1) During this phase of trading, no transactions shall be carried out.

2) During this phase of trading a "base price for closing trade" shall be determined for each security.

The price of the last transaction carried out with the security in the continuous trading phase shall be the base price for closing trade.

If no transactions were carried out during the continuous trading phase, then a price equal to the opening price of the security shall be the base price for closing trade.

2a) Buy orders with high price limits that were submitted in the earlier trading phases, but not executed, shall be transferred to the Pre-closing phase and shall have priority over buy orders with the same or lower limits.

Sell orders with low price limits that were submitted in the earlier trading phases, but not executed, shall be transferred to the Pre-closing phase and shall have priority sell orders with the same or higher limits.

3) Members may submit to the Exchange only buy and sell orders as follows:

a. Limit order (LMT).

b. Iceberg order (ICE).

Orders other than the orders stipulated above shall be rejected, and notice of such shall be sent to the submitting member.

4) Submitted orders shall be registered in the order book.

5) Preference of orders shall be as follows:

a) **Buy side –** limit orders with high price limits shall have priority over limit orders with lower price limits.

b) **Sell side –** limit orders with low price limits shall have priority over limit orders with higher price limits.

c) For orders with the same price limit, buy and sell orders separately, the order of priority shall be as follows:

(1) Limit orders, stop-limit orders activated during Continuous trading and visible portions of iceberg orders – in order received by TASE. For the purpose of this subsection (1), the time at which a stop-limit order is activated and the time at which a portion of an iceberg order is converted to the visible portion shall be considered as the time at which these were received by TASE.

(2) Hidden portions of iceberg orders, according to the order in which they were received by TASE

6) a) The Stock Exchange shall calculate and make public, for each security separately, the price and the turnover that would have been determined, if the closing trade said below had been carried out for that security on the date of the calculation, and that according to buy and sell orders for that Security that were received up to the time of the calculation (the said price shall be called the "theoretical closing price" and the said turnover shall be called the "theoretical closing turnover").

The theoretical closing price of a security is the price, at which full or partial balance was reached between buy and sell orders, subject to the order of preferences prescribed in paragraph 5) above, and at which the turnover is the greatest.

If the greatest turnover with a security is obtained at more than one price, then the price closest to the base price of the closing phase shall be the theoretical closing price.

If full or partial balance of buy and sell orders is not reached, or if no orders at all were submitted for that security, then the base price of the closing phase shall be the theoretical closing price.

b) Publication of the theoretical closing price and the theoretical closing turnover for each of the securities shall begin at the beginning of their pre closing phase.

When an additional order for any security is submitted from that time on, the updated theoretical closing price and updated theoretical closing turnover shall be calculated and published.

7) **The transition to the closing trading phase**

a) The theoretical TA-35 index shall be calculated immediately before the closing trading phase begins (hereafter: "the closing trading phase theoretical TA-35 index"), and last theoretical closing price for each security.

The closing trading phase theoretical TA-35 index shall not be published.

b) (1) If the closing trading phase theoretical TA-35 index fluctuated by less than 12% from the base index value on that day, then closing trading shall take place.

(2) (a) If the closing trading phase theoretical TA- 35 index changed by 12% or more, then trading shall be stopped in shares, in securities convertible into shares, in ETFs for which the tracked asset is a share price index, in derivatives of shares and in derivatives of share indexes, excluding institutional shares and excluding bonds convertible to institutional shares, and this until the end of the trading day (hereafter: "closing phase circuit breaker").

(b) Notwithstanding the aforesaid, the General Manager of the Stock Exchange may, in consultation with the Chairman of the Board of Directors, resume trading on the same trading day, if it is his/her opinion that under the circumstances there is justification for doing so.

When the decision to resume trading has been made, the General Manager of the Stock Exchange may decide to change the trading schedule and notice thereof shall immediately be made public on the information distribution systems of the Stock Exchange. A said resumption of trading may be after less than 30 minutes elapsed since the notice of the trading halt had been made.

c) A notice that the closing phase circuit breaker was activated shall be published immediately over the Stock Exchange information distribution system;

d) The provisions of subsections b) and c) above shall not apply on a trading day after the day on which the last theoretical TA-35 index value fluctuated by 12% or more from the base index value of that day.

e) (1) If the rate of change in the last theoretical closing price of a security is equal to or lower than the dynamic or the static threshold determined for it, closing trading in that security shall be held according to the ordinary timetable.

(2) If the fluctuation in the last theoretical closing price of a security is higher than the dynamic or the static threshold determined for it, price monitoring shall be activated during an interval that shall be determined randomly and that shall be between 3 and 4 minutes.

(3) After the price monitoring said in the above subsection 2) has been concluded, the last theoretical closing price of the security shall again be calculated according to the orders for the security that were submitted up to the time of the calculation.

(4) If the fluctuation in the last theoretical closing price of the security compared to its basis price is equal to or lower than the dynamic or the static threshold determined for it, closing trading in that security shall take place after conclusion of the price monitoring said in the above subsection 2).

(5) If the fluctuation of the last theoretical closing price of the security is higher than the dynamic or static threshold determined for that security, price monitoring shall again be activated for that security during an interval that shall be determined randomly and that shall be between 3 and 4 minutes.

(6) When price monitoring has been activated a second time, as said in the above subsection 5), closing trading of the security shall be conducted following the price monitoring extension.

e. The Closing Phase of Trading

1) Repealed.

2) At this trading phase the buy and sell orders on the order book at the end of the pre closing stage shall be matched for each security, and a closing trading price and a closing trading turnover shall be determined for each security.

3) The orders on the order book shall be carried out in the order of preferences prescribed in subsection D.5) above and at their fixed closing price.

4) a) The Exchange shall calculate the closing trading price for each security separately, in accordance with the orders that were on the order book at the end of the pre closing phase.

If a transaction, which was included in the calculation of a said closing trading price, is cancelled, then the General Manager of the Stock Exchange may order the closing price of that security to be calculated anew according to the provisions of paragraphs 5) and 6) below, and that accordingly the Exchange indices be recalculated.

b) The closing prices shall be calculated, one after the other, for each of the securities;

5) The closing price of a security is the price, at which full or partial balance was reached between buy and sell orders, subject to the order of preferences prescribed in subsection D.5) above, and at which the turnover is the greatest.

If the greatest turnover with a security is obtained at more than one price, then the price closest to the base price of the closing phase shall be the closing price.

6) If full or partial balance of buy and sell orders is not reached, or if at the end of the pre closing phase there were no orders at all for that security, then the closing shall be equal to the base price of the closing phase and the closing turnover shall be zero.

7) The Exchange shall publish the closing price and the closing turnover for each security.

8) Orders submitted during the interval from the beginning of the closing trading phase until the time when the closing price for that security is set shall be rejected.

1A. Notwithstanding the provisions of section 1 above, trading in the securities specified below shall be carried out as specified below:

a. Repealed.

b. **Separate opening trading**

1) The Trading Manager may determine that trading in a share or corporate bond shall be conducted in only two phases – the pre-opening phase and the opening trade phase, which shall take place at a time set by him/her (hereinafter: separate opening trading"), and this in the following circumstances:

a) On the trading day on which a security is removed from the index realm list or on the trading day preceding this day.

b) On the trading day a security is added to the index realm list or the day preceding this day.

c) On the trading day on which one of the fixed parameters, as their meaning in the Seventh Part of the Exchange Rules, of a share included in the index realm list is updated.

d) If the security is a constituent of a Rimon series index, as its meaning in the Seventh Part of the Exchange Rules – on the trading day in which a reference price is set for option exercise or futures expiry on the that index.

e) If a corporate bond is a constituent of a Tel-Bond index as its meaning the Seventh Part of the Exchange Rules, on the trading day in which a reference price is set for option exercise or futures expiry on that index.

f) If the share serves as the underlying asset of a stock option – on the trading day in which a reference price for the exercise of that stock option is set.

For the purpose of this provision –

"Index realm list" – a list comprising the Tamar universe, the Rimon universe, a Rimon series index, the Tel-Bond universe and all Tel-Bond indices, as their meaning in the Seventh Part of the Exchange Rules.

2) The submission of price-contingent orders during separate opening trading is not allowed.

c. Trading in securities included in the illiquidity list, and securities included in the maintenance list, shall be carried out in only four trading phases: the pre-opening phase, the opening trading phase, the pre closing phase and the closing trading phase, as specified below:

1) **In the pre-opening phase** – as specified in subsection 1.a. above;

2) **In the opening trading phase** - as specified in subsection1.b above;

However, notwithstanding the provisions of subsection 1.b.8)a) to 1.b.8)d) above, the following shall apply to securities included in the illiquidity list and securities included in the maintenance list:

a) Orders that were not carried out in the opening trading phase and the part that was not carried out of the said orders that were carried out partly in the opening trading phase shall be automatically transferred to their pre closing phase;

b) Said orders shall be transferred to their pre closing phase with their original limits;

c) The preference of said orders in the pre closing phase shall be determined according to the original time of their receipt at the Stock Exchange.

3) **The pre-closing trading phase** – as specified in subsection 1.d. above.

However, notwithstanding the provisions of subsection 1.d.2) above, the following shall apply to securities included in the list:

In this trading phase a "base price for closing trading" shall be set for each security;

The base price for closing trading shall be equal to the opening price of the security.

With the beginning of the Pre-closing phase, the stipulations of subsection 1.c.1a) shall apply.

4) **The closing trading phase** – as specified in subsection 1.e. above.

5) The submission of stop-limit orders is not permitted for securities on the maintenance List or the illiquid Securities List.

1B. Notwithstanding the provisions of paragraph 1 above, price monitoring shall not be activated in the following instances:

a. On the first trading day of a new security and on each trading day thereafter, up to and including the trading day on which the security is traded on the Stock Exchange for the first time, and solely if on each one of the aforesaid trading days, an opening parameter of 1 agora is set for that security.

b. On the first trading day of a security after trading in it had been halted for a period longer than three months and on each trading day thereafter, up to and including the trading day on which the security is traded on the Stock Exchange for the first time after a trading halt, and solely if on each one of the aforesaid trading days, an opening parameter of 1 agora is set for that security

c. In respect of warrants, call options, rights and institutional securities.

d. In respect of securities traded on the Illiquidity list.

e. In respect of securities traded on the Maintenance list.

f. In respect of separate opening trading, as specified in the above subsection 1A.b.

g. In respect of Dutch auction at the end of a trading halt.

h. In respect of Dutch auction at the end of a circuit breaker.

i. On the trading day after the day on which a circuit breaker was activated and trading had not been resumed on that day. The provisions of this subsection shall only apply to securities, in respect of which trading was halted because of the said circuit breaker.

2. Minimum and Maximum Order Size

a. The maximum size of an order shall be as follows:

1) In all securities other than institutional securities and foreign exchange-traded funds, shall be as specified below, but not more than 999,999,999 trading units:

(a) In respect of shares, of securities that are convertible into shares, certificates of deposit, ETFs (including bond market ETFs), of rights and of corporate bonds – a quantity of securities equal to 5% of the quantity of that security that is listed for trading on the Stock Exchange;

(b) In respect of Government bonds and short term loans – a quantity of securities equal to 10% of the quantity of that security that is listed for trading on the Stock Exchange.

2) The quantity of securities said above shall be rounded as specified in the following table:

When the quantity of securities is as said below:	the quantity shall be rounded off as follows:
Up to 1,000	to the nearest 10 units
From 1,001 to 10,000	to the nearest 100 units
From 10,001 to 100,000	to the nearest 1,000 units
More than 100,000	to the nearest 10,000 units

3) The maximum size of an order for institutional securities shall be 999,999,999 trading units.

4) For units of a foreign exchange-traded fund – no maximum order size will be imposed.

5) The maximum size of an order shall be calculated each month, at the end of the last trading day of the month, and will remain valid during the subsequent month, subject to subsection (5), herein.

6) On the ex-date of corporate actions, the amount of securities shall be adjusted in accordance to basis price of the security on that day.

7) For iceberg orders, the above provisions shall apply to the total volume of the order.

b. The minimum size of an order is as follows:

1) Repealed.

2) (a)* In shares, convertible bonds, option bonds, certificates of deposit, ETFs (including bond market ETFs), and in foreign ETFs (including bond market foreign ETFs) - a volume of securities of a monetary value to be prescribed by the Board of Directors, which shall not exceed NIS 10,000.

The Board of Directors may set different amounts for different categories or for different groups of securities.

(b) In convertible securities not enumerated in subsection (a) above or in subsection (d) below – amount of convertible securities that is less than the following alternative, but not less than one unit price:

(1) The minimum order size of the underlying asset of the convertible security, divided by the exercise ratio of the convertible security.

If the convertible security can be converted into more than a single security, the aforesaid calculation shall be made separately for each of the securities that arise out of the conversion and the minimum order size of the order shall be the largest of the amounts obtained.

(2) 0.5% from the registered amount for trade in the convertible security.

(c)** For bonds and commercial paper, excluding COCO bonds, which is part of a series for which a listing has been applied under the Second Part of the Rules (hereinafter – "listed COCO bond")– the number of bonds or commercial paper, with a monetary value to be prescribed by the Board of Directors, which shall be between one shekel and NIS 50,000.

A COCO bond - as defined in the Second Part of the Rules.

(d) In bond warrants - amount of bond warrants that is less than the following alternative, but not less than one trading unit:

---

* The Board of Directors decided that the monetary value of securities for purposes of the calculation of the minimum size of a trading order shall be:

– For certificates of deposit, bond ETFs and foreign bond ETFs – NIS 2,000.

– For all the rest of the aforementioned securities– NIS 500.

** The Board of Directors has decided that the minimum size of an order to be carried out in the continuous trading phase, for bonds issued by the State of Israel and bonds issued by entities in private placements, which is not a public offering under a prospectus, that are not part of a series for which registration under the Second Part of the TASE Rules is required shall be NIS 10,000, and the said minimum order size for corporate bonds and commercial paper shall be NIS 5,000.

(1) The minimum order size of the underlying asset of the warrant, divided by the exercise ratio of the aforesaid warrant.

If the convertible security can be converted into more than a single security, the aforesaid calculation shall be made separately for each of the securities that arise out of the conversion and the minimum order size of the order shall be the largest of the amounts obtained.

(2) 0.5% from the registered amount for trade in the warrant.

(e) For rights - one trading unit of rights.

(f)*** For M.K.M. – as set by the board of directors.

(g) For listed CoCo bonds – NIS 10,000.

(h) Repealed.

(i) Repealed.

(j) Notwithstanding the provisions of subsections (a) to (d), and (f)) above, on each trading day on which an opening parameter is set for a security, as the term's meaning in Section 1 of Chapter Three of the Regulations under the Third Part of the Rules, the minimum order size shall be one trading unit.

(k) Notwithstanding the provisions of subsections (a) through (j) above, should the General Manager of the Exchange or someone authorized by him deem it necessary for the purpose of maintaining orderly trade in any security on a given day, he is authorized to set a minimal order size for that security on that day, which deviates from the rules stipulated above.

Should a minimal order size for a security be set in deviation from to the rules stipulated above, an announcement to this effect shall be made public.

3) (a) A minimum order size, as stated in subsections 2)(a) through 2)(d) above, is calculated each month, at the end of the last trading day of the month, and shall remain valid in the course of the whole subsequent month, subject to subsection (b) above.

(b) On the ex-date of corporate actions, the amount of securities shall be adjusted in accordance to basis price of the security on that day.

*** The board of directors has decided that the minimum size of an order for M.K.M in the continuous trading phase shall be 10,000 par value M.K.M.

(c) The amount of securities calculated in subsections 2) (a) to 2) (d) shall be rounded, as follows:

when the volume of securities is as follows:	**then the volume shall be rounded off as follows:**
up to 100	to the nearest whole unit
from 101 to 1,000	to the nearest 10
from 1,001 to 10,000	to the nearest 100
from 10,001 to 100,000	to the nearest 1,000
above 100,000	to the nearest 10,000

4) The volume of the initial peak size and the additional peak size of iceberg orders shall be greater than or equal to the minimum order size under subsections 2) and 3) above, at all stages of trading.

5) The volume of stop-limit orders shall be greater than or equal to the minimum order size under subsections 2) and 3) above at all stages of trading in which the submission of stop-limit orders is permitted.

6) For all other order types, the volume shall be greater or equal to the minimum order size under subsections 2) and 3) above, solely during the Continuous trading phase.

During the Pre-opening phase, Additional Opening phase, trading in which price monitoring mechanism has been activated and the Pre-closing phase, the volume shall be greater than or equal to one trading unit.

Despite the above, a buy order for a listed CoCo bond, during the pre-opening phase, additional opening phase, trading in which price monitoring mechanism has been activated and the pre-closing phase, shall be equal or larger than the minimal order size under subparagraphs 2) and 3) above.

3. Customer Orders - Rules for Acceptance and Execution

a. Modification and cancellation of orders

1) If an order has not yet been carried out in whole or in part, then it may be canceled or modified, except during the periods specified in subsection 2) below.

A cancelled order shall be removed from the order book.

An order that was wholly or partly modified shall be treated - in respect of its priority for execution – like an order received at the time the modification was received on the Exchange.

2) During the periods of time specified below orders cannot be changed or canceled:

   a) From the beginning of the opening phase of trading of a security until the opening price for that security has been determined;

   b) From the beginning of the closing trading phase of a security until the closing trading price and the closing price for that security is determine.

3) An order or part of an order that was not carried out until the end of the trading day shall be cancelled.

b. **Rejection of orders**

Orders specified below shall be rejected, inter alia in the following cases, and notice thereof shall be sent immediately to the member who submitted them:

1) An order submitted for the opening phase of trading with a limit that exceeds the permitted limits of daily fluctuation at this trading phase;

2) An order that differs from what is permitted at any trading phase;

3) An order submitted not in accordance with the prescribed timetables;

4) An order that incorporates mistaken data, such as wrong number of the security or wrong kind of order;

5) Repealed;

6) An order for a security in which trading was halted for a set period, during a stage when no orders are to be submitted;

7) An order for a security in which trading was halted for a period that is not a set period;

8) An order for a security that is not traded on that day.

9) A pre-arranged order to be submitted during the pre-opening phase or the pre closing phase;

10) A pre-arranged order that is not a limit order;

11) A pre-arranged order that will be submitted during the last 14 minutes of a stop in trading for a set period, which ends in the course of the continuous trading phase.

12) An order of a size that is larger than the maximum size prescribed in section 2.a above.

13) An order not meeting the minimum order size criteria under paragraph 2.b above.

14) A stop-limit order for which the trigger criterion has not been completely set, or for which a price limit has not been placed.

15) An iceberg order without a total volume or with an initial peak size or an additional peak size for which a price limit has not been placed.

16) An iceberg order for which the volume of the sum of the initial peak size and the additional peak size is greater than the total volume of the order.

c. **Repealed**

d. **Increments for the submission of orders (Tick size)**

Orders shall be submitted in fixed increments, in accordance with the price of the security and with the following specifications:

1) **In respect of shares and securities convertible into shares**

- When the price of the security is between 1 and 1,000 agorot - in increments of 0.1 agora;
- When the price of the security is between 1,000 and 10,000 agorot - in increments of 1 agora;
- When the price of the security is between 10,000 and 250,000 agorot - in increments of 10 agorot;
- When the price of the security is above 250,000 agorot - in increments of 100 agorot;

2) **In respect of bonds, options on bonds and institutional securities**

- When the price of the security is between 1 and 10,000 agorot - in increments of 0.01 agora;
- When the price of the security is above 10,000 Agorot - in increments of 1 agora;

3) **In respect of M.K.M. and of commercial paper**

Orders shall be submitted in constant increments of 0.01 agora.

The stipulations of this paragraph shall apply to the trigger price of a stop-limit order as well.

e. An order submitted to the Stock Exchange by a member shall include, inter alia, the following particulars:

1) A mark, structured as the Exchange shall prescribe, whether the order is for the nostro account or for a client account;

2) The identifying code of the account with the member, of the person who submits the order, structured as the Exchange shall prescribe.

f. **Pre-arranged orders**

1) Pre-arranged orders can be submitted only during the continuous trading phase.

2) Pre-arranged orders must not be submitted during the last 14 minutes of a stop in trading for a set period, which ends in the course of continuous trading phase and during price monitoring auction.

4. Monetary values in this Chapter shall not be linked to the Consumer Price Index.

5. **Trading on the illiquid securities list**

a. The list of illiquid securities (hereafter: "the illiquid list" or "the list") shall be updated twice a year according to the following conditions.

b. For the purposes of this section:

"**Reference date"** – the universe update record date as its meaning in the Seventh Part of the Exchange Rules;

"Reference period" – six months that ended on a determining date.

"median daily trade volume" – an amount, which was equaled or exceeded by the daily monetary consideration of trading turnover in the trading phases on the Stock Exchange on one half of the trading days during the determining period;

"average daily trade volume" - monetary consideration of trading turnover on the Stock Exchange in a security during the determining period, divided by the number of trading days in the determining period, other than trading days on which the security was suspended throughout the entire trading day.

c. The following securities shall be included in the illiquid list:

1) Shares, participation units, bonds convertible to shares, excluding institutional shares and excluding bonds convertible to institutional shares, each of which meets all the following conditions:

a) Its median daily trade volume on the Exchange in the reference period was less than an amount to be set by the Board of Directors*;

---

* The Board of Directors decided that the mean daily trading turnover on the Exchange of the security

b) Its average daily trade volume on the Exchange in the reference period was less than an amount to be set by the Board of Directors**;

c) It was listed for trading on the Exchange before the beginning of the reference period.

d) Was not part of a cessation of trading, which lasted without a trading halt during the reference period.

2) If a security was included in the list as said in subsection 5.c.1) above, then all the options and purchase options that can be exercised as that security shall also be included in the list.

d. Updating of the list will be carried out as follows:

1) Soon after the reference date, the list of securities that are candidates for inclusion in the list and the list of securities that are candidates for removal from the list shall be updated according to the conditions prescribed in subsection 5.c.1) above (hereafter: "the candidate lists").

2) The Stock exchange shall publish the candidate lists, and it shall also inform the companies, whose securities appear on the candidate lists, that their securities are candidates for inclusion in or removal from the list, as the case may be. The candidate lists shall be published and the said notifications sent out not later than the universe publication date as its in the Seventh Part of the Exchange Rules.

3) The list shall be updated on the index universe update date as its meaning in the Seventh Part of the Exchange Rules.

4) Notwithstanding the provisions of subsection 5.c. above, a security shall not be added to the list, even if it is included in the list of candidates for inclusion, in the case of one or more of the situations specified below:

a) In respect of the security there is market making, in accordance with the Stock Exchange Regulations;

b) The security is included in the maintenance list;

c) The share is included in Tamar, as this term's meaning in the Seventh Part of the Exchange Rules.

---

during the determining period shall be NIS 2,000.

** The Board of Directors decided that the mean daily trading turnover on the Exchange of the security during the determining period shall be NIS 2,000.

5) Updating the list not on an updating day:

a) A security included in the list shall be removed from it on the trading day on which one or more of the of the conditions specified in subsection 5.d.4) above applies to it;

b) A security, which was included in a list of candidates for inclusion in the list, but finally was not included in it because one or more of the of the conditions specified in subsection 5.d.4) above applied to it, shall be added to the list on the first trading day on which none of the said conditions apply to it.

c) A security included in the list shall be removed from it, during the period between the record day and the following updating day, if the same security, is expected to be removed from the list on the said updating day, since trading in the security was suspended continuously throughout the record period.

6) Repealed.

CHAPTER SIX: TRADING IN DERIVATIVES

1. THE CONDUCT OF TRADING

a. In the course of trading two-sided transactions shall be carried out. For each transaction, the price and quantity shall be determined separately.

b. A member may submit only the following buy and sell orders to the Exchange:

1) Limit Orders (LMT);

2) Fill or Kill Orders (FOK)

3) Immediate or Cancel Orders (IOC).

A matching order may be submitted as a limit order (LMT), as a carry out immediately and completely order (IOC) or as an immediate or cancel order (IOC).

Orders that differ from those specified here will be rejected.

c. The submitted orders are examined in the order of their arrival at the Exchange, to see whether they can be carried out against counter orders on the order book.

d. 1) Limit orders that are buy orders, and also IOC orders that are buy orders, shall be carried out against counter limit orders, on which the price limit is lower than or equal to the price limit on the buy orders, beginning with the counter order with the lowest price limit and up to the counter order with the price limit that equals the price limit on the buy order or until all buy orders have been carried out, as the case may be.

An FOK order that is a buy order shall be carried out only if - when it is submitted – the quantity of counter orders on the order book, against which it can be carried out, suffices at least for the implementation of the entire buy order. If the quantity of the said counter orders does not suffice, as aforesaid, then the buy order shall lapse.

2) Limit orders, which are sell orders, and also IOC orders, which are sell orders shall be carried out against counter limit orders, on which the price limitation is higher than or equal to the price limit on the sell orders, beginning with the counter order with the highest price limit and down to the counter order with the price limit that equals the price limit on the sell order or until all sell orders have been carried out, as the case may be.

An FOK order that is a sell order shall be carried out only if – when it is submitted – the quantity of counter orders on the order book, against which it can be carried out, suffices at least for the implementation of the entire sell order. If the quantity of the said counter orders does not suffice, as aforesaid, then the sell order shall lapse.

e. All or part of a limit order, which was not carried out against counter orders on the order book, shall be recorded in the order book.

f. An FOK order, that was not carried out and also an IOC order that was not carried out, as well the part of an IOC order that was not carried out immediately after the order was received on the Exchange shall lapse and they shall not be recorded in the order book.

g. Orders recorded in the order book shall be carried out according to the order of preference specified below:

Buy orders with a high price limit shall be carried out before buy orders with a lower price limit.

Sell orders with a low price limit shall be carried out before sell orders with a higher price limit.

Orders with the same price limit shall be carried out in the order in which they were received by the Exchange.

h. The transactions shall be carried out at the price of the order, as it appears in the order book.

i. Orders carried out in full shall be removed from the order book.

If an order was carried out in part, then the part that was not carried out shall remain on the order book and it shall be carried out in the order of preference determined for it according to the time when the original order was received by the Exchange.

j. An order or part of an order on the order book at the end of trading shall be cancelled.

2. **MAXIMUM AND MINIMUM ORDER SIZE**

a. The maximum size of an order for options shall be 2,000 trading units.

The maximum size of an order for futures shall be 200 trading units.

b. Notwithstanding the provisions of subsections (a) above:

The maximum size of a pre-arranged order for options shall be 10,000 trading units.

The maximum size of a pre-arranged order for futures shall be 1,000 trading units.

c. The minimum size of an order shall be one trading units.

3. **CLIENT ORDERS – REGULATIONS FOR ACCEPTANCE AND PERFORMANCE**

a. **Modification and cancellation of orders**

1) If an order written in the order book has not yet been carried out, in whole or in part, then it can be cancelled or changed, subject to the provision of subsection 2) below.

2) In the following instances an order in the order book can be canceled, but cannot be modified:

   a) In respect of a derivative a trading halt was determined.

   b) In respect of an option that the underlying asset of which is traded on the Exchange – other than options on securities indexes – during the continuous phase and the Pre-closing phase, during the time in which price monitoring is being activated in respect of the option's underlying asset.

3) A cancelled order shall be removed from the order book.

4) If an order was modified in whole or in part, then - for purposes of its precedence for performance - it shall be treated like an order received at the time the change was received at the Exchange.

b. **Rejection of orders**

Orders specified below shall be rejected and notice thereof shall be sent immediately to the member who submitted them:

1) Orders submitted not in accordance with the prescribed timetables;

2) Orders that include wrong data, such as a wrong symbol of a derivative or wrong type of order;

3) An order other than a cancellation order, submitted for a derivative in the following instances:

   a) When trading in the derivative is temporarily halted or suspended.

   b) In respect of an option, the underlying asset of which is traded on the Stock Exchange – other than options on securities indices – during the continuous phase and the pre closing phase, during the time in which price monitoring is being activated in respect of the option's underlying asset.

4) An order for derivative which is not being traded on the same day

5) An order of a size that is larger than the maximum size prescribed in section 2 above.

c. **Increments for the submission of orders**

1) Members' orders for options on a share index, on options on share, options on fixed-rate non-linked Israel government bond and on a foreign exchange rate shall be submitted in fixed steps in accordance with the price of the traded option, as specified below:

up to NIS 20: in increments of NIS 1;

above NIS 20 and up to NIS 100 - in increments of NIS 2;

above NIS 100 and up to NIS 200 - in increments of NIS 5;

above NIS 200 - in increments of NIS 10.

The price shall be stated in whole New Israeli Shekels.

2) Members' orders for futures on an equity index and for futures on currency exchange rates shall be submitted in fixed increments of 10 NIS.

The price of the said futures shall be stated in whole New Israeli Shekels.

3) Members' orders for three-month interest rate futures shall be submitted in fixed increments of one hundredth of a percentage point.

The price of said futures shall be stated in whole points and in multiples of one hundredth of a percentage point.

4) Members' orders for futures on the Consumer Price Index shall be submitted in fixed increments of five one hundredths of a point.

The price of said futures shall be stated in whole points and in multiples of five one hundredths of a point.

d. **An order submitted to the Exchange by a member shall, *inter alia*, include the following particulars:**

1) A designation, structured as the Stock Exchange shall prescribe, to show whether the order is for the *nostro* account or for clients' accounts.

2) The identification code of the account number held by the person who submits the order via the member, the structure of which shall be prescribed by Stock Exchange.

4. CALCULATION OF THE REFERENCE PRICE OF A DERIVATIVE

a. For options

1) Transactions-based calculation

The reference price of options on a trading day shall be the weighted average of the prices of the number of options traded last as determined by the Board of Directors[1] and solely that the transactions in which the said prices were set, were carried out over the last number of minutes preceding the close of derivatives trading on that day, as will be determined by the Board of Directors[2].

2) Quote-based calculation

If it is impossible to set a reference price according to subsection 1) above, the reference price of an option shall be determined according to the mid-price MID_Price_{BBO} of the ASK_Price_{BBO} and BID_Price_{BBO} quotations made as close as possible to the close of derivatives trading (hereinafter: "the indicative quotation").

Verification as to the existence of the aforementioned quotation, shall take place starting from the time derivatives trading ended, working backwards, at flexible time frames, until a quotation that meets all the following criteria is found:

a) The indicative quotation is at an interval of no more than the number of ticks permitted for order submission, as shall be determined by the Board of Directors[3].

b) The indicative quotation is found in the order book for the designated number of minutes prior to the close of derivates trading, as shall be determined by the Board of Directors[2].

c) During the seconds-long window of time set by the Board of Directors[4], which preceded the indicative quotation, only quotations which meet the criteria articulated in subsection a) above appeared. During each window of time, the quotations shall be examined each centi-second.

---

[1] It is proposed that the Board of Directors set the number of options traded last for the calculation of the weighted average at 25.

[2] It is proposed that the Board of Directors set the number of minutes preceding the close of trading for the purpose of calculating the transactions-based as well as quote-based weighted averages at 5.

[3] It is proposed that the Board of Directors set the number of ticks for the purpose of the quote-based calculation at 10.

[4] It is proposed that the Board of Directors set the number of seconds for each time window at 5.

Where:

Terms		**Definitions**
BID_Price_{BBO}	–	the highest bid price in the order book or 0, should the order book not have a bid price.
ASK_Price_{BBO}	–	the lowest ask price appearing in the order book.
MID_$Price_{BBO}$	–	$\frac{ASK\_Price_{BBO} + BID\_Price_{BBO}}{2}$

3) Theoretical Calculation

If it is not possible to set a reference price according to the provision so subsection 2) above, the reference price shall be calculated as follows:

a) The reference price of an option included in paired put and call options with the same exercise price for the same exercise date (hereinafter: "option pair"), where a reference price has been set only for the "out-of-the-money" option under subsection 4.a.1) or subsection 4.a.2) above, will be determined according to the put-call parity equation, as follows:

Calculation of the reference price for the call option:

$$Call_{VAL}^{Ki,j} = MAX\ (Put_{VAL}^{Ki,j} + M \text{ x } \left(S - K_t \text{ x } e^{-(r-r_f)\,T}\right), 1)$$

Calculation of the reference price for the put option:

$$Put_{VAL}^{Ki,j} = MAX\ (Call_{VAL}^{Ki,j} - M \text{ x } (S - K_i \text{ x } e^{-(r-r_f)T}),1),$$

where:

Terms		Definitions
"Out-of-the-money" option	–	when the option is a call – the exercise price of the option is greater than S. when the option is a put – the exercise price is less than S.
$Call_{VAL}^{K\,i,j}$	–	the reference price for a call option with an exercise price *i* and exercise date *j*.
$Put_{VAL}^{Ki,j}$	–	the reference price for a put option with an exercise price of *i* and exercise date of *j*.
M	–	the contract multiplier.

S	–	the reference price or implied price of the underlying asset, as determined by the General Manager of the Exchange, as stipulated below.
K_i	–	exercise price *i*
r	–	NIS annual interest rate, as defined in subsection 2.2.1.5 in Chapter Eight of the MAOF Clearing House By-laws.
r_f	–	Foreign currency annual interest rate, as defined in subsection 2.2.1.6 in Chapter Eight of the MAOF Clearing House By-laws. Should the underlying asset not be a foreign currency exchange rate, rf = 0.
T	–	The time interval between the time of calculation and the time the reference price for expiration, annualized.

b) In the cases stipulated below, the reference price of an option shall be calculated according to the Black and Scholes model. The parameters shall be as stipulated in subsection 2.2.1 in Chapter Eight of the MAOF Clearing House By-laws; however, with reference to the standard deviation, in cases in which it is possible to use the standard deviation implied from the volatility spread calculated by the Exchange, the implied standard deviation will be taken from the volatility spread as aforementioned. These are the cases:

- When no reference price under subsection 4.a.1) or 4.a.2) has been set for the two options included in an option pair.
- When no reference price has been set under subsection 4.a.3)a) for an option included in an option pair.
- When the option is a Call 1 option, as its definition in Chapter One of the MAOF Guide, and a reference price for it has not been set under either subsection 4.a.1) or 4.a.2) above.

Despite the above stipulations, if on the final trading day of an option, a reference exercise price is calculated, the option's reference price shall be equal to the option's positive differential, as defined in the Seventh Part of the Rules.

a1. **For Futures**

$$\boldsymbol{F^{j}_{VAL}} = \boldsymbol{S}\boldsymbol{e}^{(r-r_f)\boldsymbol{T}} \; x \; M$$

Where:

Terms	Definitions
F^j_{VAL}	– reference price for a futures contract with *j* expiration date.
S	– the reference price or implied price of the underlying asset, as determined by the General Manager of the Exchange, as stipulated below.
r	– annual NIS interest rate, as defined in subsection 2.2.1.5 in Chapter Eight of the MAOF Clearing House By-laws.
r_f	– annual foreign currency interest rate, as defined in subsection 2.2.1.6 in Chapter Eight of the MAOF Clearing House By-laws. Should the underlying asset not be a foreign currency exchange rate, rf = 0.
T	– the time interval between the time of calculation and the time the reference price for expiration, annualized.
M	– the contract multiplier.

Despite the above stipulations, if on the final trading day of a future, a reference expiration price is calculated, the future's reference price shall be equal to the reference expiration price, as defined in the Seventh Part of the Rules.

For the purpose of this section 4 –

"The reference price of the underlying asset" – the last known reference price of the basket or the stock price or the foreign currency exchange rate at the end of the trading day, as their meaning in subparagraph 2.2.1.1. in Chapter Eight of the MAOF Clearing House By-laws.

"Implied price of the underlying asset" – shall be calculated as follows:

The shortest options series and shortest futures series shall be selected.

"Shortest options series or shortest futures series" –

The monthly options series or the futures series with the closest expiration date, and solely if the exercise or expiration range, as applicable, exceeds 1 day.

1) Within the shortest options series, the option pairs (call and put options with the same exercise price) and solely if at the end of the trading day, there are bid and ask quotations on them.

At the time of calculation, $S^*_{bid\_K_i}$ and $S^*_{ask\_iKi}$ for each call and put option pair with the same exercise price, shall be calculated according to the put-call parity formula, as follows:

$$S^*_{bid_{K_i}} = \frac{Call^{Ki}_{bid} - Put^{Ki}_{ask}}{M} + K_i * e^{-(r-r_f)T}$$

$$S^*_{ask\_Ki} = \frac{Call^{Ki}_{ask} - Put^{Ki}_{bid}}{M} + K_i * e^{-(r-r_f)T}$$

$where$:

Terms		**Definitions**
$S^*_{bid\_K_i}$	–	an index or synthetic bid price for the shortest monthly options series.
$S^*_{ask_{K_i}}$	–	an index or synthetic ask price for the shortest monthly options series
$Call^{Ki}_{bid}$	–	the highest bid price in the order book for a call option with a K_i exercise price in the shortest monthly options series.
$Call^{Ki}_{ask}$	–	the lowest ask price in the order book for a call option with a K_i exercise price in the shortest monthly options series.
Put^{Ki}_{bid}	–	the highest bid price in the order book for a put option with a K_i exercise price in the shortest monthly options series
Put^{Ki}_{ask}	–	the lowest ask price in the order book for a put option with a K_i exercise price in the shortest monthly options series.
K_i	–	exercise price $K_{1\ldots n}$
T	–	the time interval between the time of calculation and the time the reference price for expiration, annualized.
M	–	the contract multiplier
r	–	annual NIS interest rate, as defined in subsection 2.2.1.5 in Chapter Eight of MAOF Clearing House By-laws
r_f	–	annual foreign currency interest rate, as defined in subsection 2.2.1.6 in Chapter Eight of the MAOF Clearing House By-laws. Should the underlying asset not be a foreign currency exchange rate, rf = 0.

2) At the time of calculation, $S^*_{bid_F}$ and $S^*_{ask\_F}$ for the shortest futures contract series, shall be calculated according the formula for capitalizing futures contracts, as follows and only if at the end of the trading day, there are bid and asks price quotations for the futures contract:

$$S^*_{bis\_F} = \frac{F_{bid}}{e^{(r-r_f)T \text{ x } M}}$$

$$S^*_{ask\_F} = \frac{F_{bid}}{e^{(r-r_f)\ T \text{ x } M}}$$

where:

Terms		**Definitions**
$S^*_{bid\_F}$	–	an index or synthetic bid price for the shortest monthly futures series.
$S^*_{ask_F}$	–	an index or synthetic ask price for the shortest monthly futures series
F_{bid}	–	the highest bid price in the order book for a futures contract in the shortest monthly futures series.
F_{ask}	–	the lowest ask price in the order book for a futures contract in the shortest monthly futures series.
r	–	annual NIS interest rate, as defined in subsection 2.2.1.5 in Chapter Eight of MAOF Clearing House By-laws
r_f	–	annual foreign currency interest rate, as defined in subsection 2.2.1.6 in Chapter Eight of the MAOF Clearing House By-laws. Should the underlying asset not be a foreign currency exchange rate, rf = 0.
T	–	the time interval between the time of calculation and the time the reference price for expiration, annualized.
M	–	the contract multiplier

3) The index or the synthetic price for the shortest monthly expiration S^* shall be calculated according to the provisions of subsection (a) below or the provisions of

subsection (b) below, as will be determined by the General Manager of the Exchange from time to time[5]:

(a)

$$S^* = \frac{S'_{bid} + S'_{ask}}{2}$$

Where:

S'_{bid} is MAX($S^*_{bid\_K_i}$, $S^*_{bid\_F}$), and

S'_{ask} is MIN($S^*_{ask\_K_i}$, $S^*_{ask\_F}$),

and under the condition that the difference between S'_{bid} and S'_{ask} is non-negative and does not exceed the spread set by the General Manager of the Exchange from time to time[6].

If no pair of S'_{bid} and S'_{ask} , which satisfies the criteria set in this subsection is found, then the calculation will be based on the reference price of the underlying asset, as defined above.

(b)

$$S^* = \frac{S'_{bid} + S'_{ask}}{2}$$

where:

S'_{bid} is MAX ($S^*_{bid\_K_i}$), and

S'_{ask} is MAX ($S^*_{ask\_K_i}$),

and under the condition that the difference between $S'_{bid}$and S'_{ask} is non-negative and does not exceed the spread set by the General Manager of the Exchange from time to time[7] .

---

[5] The staff of the Exchange recommends that the General Manager of the Exchange set that until further notice, S^* be calculated according to the formula stipulated in subsection (b).

[6] The Exchange staff recommends that General Manager of the Exchange determine that, until further notice, the spread will stand at 1%.

[7] The Exchange staff recommends that General Manager of the Exchange determine that, until further notice, the spread will stand at 1%.

If no pair of S'_{bid} and S'_{ask} , which satisfies the criteria set in this subsection is found, then the calculation will be based on the reference price of the underlying asset, as defined above.

b. **General Manager Authority**

1) If a transaction included in the calculation of the reference price was canceled, the General Manager of the Stock Exchange may then order that the reference price of that derivative be calculated anew, as specified in subsections a. or a.1 above, as applicable.

2) If a technical difficulty occurs, which has an impact on one or more the stages of the reference price calculation as stipulated in subsections a. or a.1. above, the General Manager of the Exchange or someone authorized by him may set the reference price of the derivative.

3) When the calculation is made according to the provisions of subsection 4.a.3) or of subsection 4a1., above, the General Manager of the Exchange may determine for which underlying assets and on which trading days the reference price of a derivative will be based on the implied price of the underlying asset and in which cases a derivative's reference price will be based on the reference price of the underlying asset, as stipulated above[8].

c. The reference prices of derivatives shall be rounded off, as specified below:

1) For derivatives of share indexes, derivatives of share, derivatives on fixed-rate non-linked Israel government bond and derivatives of foreign currency exchange rates - to the nearest whole new shekel;

2) For three- month interest rate futures and for consumer price index futures - to the nearest one hundredth of a percentage point and to the nearest one hundredth point, respectively.

5. **Repealed.**

6. **<u>OPEN POSITIONS LIMIT PER CLIENT</u>**

a. 1) The derivatives held in all the following accounts shall be taken into account,

[8] The Exchange staff recommends that the General Manager of the Exchange set that the reference price of derivatives written on the exchange rate of the dollar, on days on which there is no foreign currency trading, and the reference price of derivatives on the TA-35 index be calculated on the basis of the implied underlying asset price. For all other cases, the reference price of derivatives will be calculated according to the reference price of the underlying asset.

for purposes of the restrictions on open positions per client:

a) Accounts in the client's name, whether alone or together with others;

b) Accounts in the names of the client's relatives who live with him or who are his dependents or whose dependent he is, whether alone or together with others;

c) Accounts in which the client is allowed to act at his discretion, in accordance with a power of attorney;

d) The accounts of a body corporate, in which 50% of the share capital or of the voting rights are, directly or indirectly, held in the client's name or in the name of the client's relatives, who live with him or if the one is a dependent of the other (hereafter: “controlled corporation”). However, if the controlled corporation is a trust fund manager, benefit fund manager, training fund manager, portfolio manager, pension fund manager, or insurance company, the derivatives held in the controlled corporation's accounts will not be taken into account.

2) All the provisions about the limitation on open positions per client shall apply to a portfolio manager and the derivatives held in all the accounts managed by him shall be taken into account.

3) All the provisions about the limitation on open positions per client shall apply to investment trust fund managers, to benefit fund managers, to training fund managers, to pension fund managers or to insurance companies and in respect of each of these the derivatives held in all the accounts of all the bodies managed by them shall be taken into account.

4) All the provisions about the limitation on open positions per client shall apply to a member's nostro account;

b. 1) A client’s open positions for the purpose of complying with the open positions limit ("general limit"), for any underlying asset, will be calculated on each trading day according to the following formula:

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

Where:

OP - the client’s open positions for any underlying asset

Q_i - the balance in contract i

D_i - the delta of contract i

D'_i - the modified delta of contract i, as follows:
for call options – max(0.1, Di)
for put options – min(-0.1, Di)
for future contract – 1

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

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

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

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

Where:

OP^E - open positions per client, who is a market maker with an underlying asset that is a share, or per a hedging client

Q_i - the balance in derivative i

D_i - the delta of derivative i

D'_i - the amended delta on derivative i, as follows:
for call options – max(0.1, Di)
for put options – min(-0.1, Di)
for future contract – 1

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

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

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

c. The total of open positions for a client shall not exceed the following:

1) For all the derivatives except for the derivative of which the underlying asset in a share:

	Nonreporting Client		Reporting Client		Reporting Institutional Client	
Derivative with underlying asset:	General Limit	Spot Expiry Limit	General Limit	Spot Expiry Limit	General Limit	Spot Expiry Limit
TA-35	3,000	3,000	15,000	15,000	30,000	15,000
TA Banks-5	3,000	3,000	15,000	15,000	30,000	15,000
TA-125	3,000	3,000	15,000	15,000	30,000	15,000
Foreign Exchange Rate	Unlimited	100,000	Unlimited	150,000	Unlimited	225,000

2)*(A) In respect of a derivative for which a share is the underlying asset, once in six months during the first quarter and the third quarter of the calendar year, it will be decided what the maximum possible open positions limit according to the following formula:

$$\mathbf{PL}\boldsymbol{i} = \frac{\mathbf{3\%} \times \boldsymbol{Q_i}}{\boldsymbol{M_i}}$$

Where:

PLi - the maximum possible open positions limit in respect of options on share i

Qi - the capital listed for trading on share i on the record date

Mi - the underlying asset multiplier in respect of options on share i

* The decisions of the Board of Directors on the open positions limit on share options are specified in the Chapter "Decisions of the Board of Directors" in this guide.

The limit on open positions limit shall be rounded down, to the nearest off to the nearest multiple of 500.

The Board of Directors may decide on a gradual implementation of the formula, according to regulations that will be set forth.

For the purpose of this section:

“Record date” – December 31 or June 30, as the case may be, that precedes updating of open positions limit in derivative for which the underlying asset is a share.

“Open positions limit” – General limit or Spot Expiry limit, as the case may be.

“Listed capital for trading” – The number of shares of the same type held by the same exchange member, and which are not dormant shares.

A client’s open positions for a derivative on an underlying asset on share i, shall not be greater than the following:

Nonreporting Client		Reporting Client		Reporting Institutional Client	
General Limit	Spot Expiry Limit	General Limit	Spot Expiry Limit	General Limit	Spot Expiry Limit
PL_i	PL_i	PL_i	PL_i	2 x PL_i	PL_i

(B) Notwithstanding the aforesaid, if the Board of Directors decides that the limits on open positions calculated according to this formula may impair trading, it can decide on a different open positions limit.

(C) The open position limitations will be published on the stock exchange website,. Changes to the open positions limit will be published on the stock exchange noticeboard website, Maya.

For the purpose of this subsection C:

"Reporting client" – A client who has reported to the stock exchange of all of its accounts as defined in subsection 6.a above, in which it operates in derivatives.

"Reporting institutional client" – A reporting client who is a trust fund manager, benefit fund manager, training fund manager, portfolio manager, pension fund manager, or insurance company who has reported to the stock exchange on all of its accounts as defined in subsection 6.a above, in which it operates in derivatives.

A client who wishes to be considered as a reporting client will instruct each of the members of the stock exchange through which it operates in derivatives to provide the stock exchange with a list of all the accounts through which it operates in derivatives.

The client's instruction to the stock exchange member shall be done as detailed in Appendix H to these guidelines.

If a member of the stock exchange received from his client an instruction as mentioned above, they shall provide the stock exchange with the client’s list of accounts as detailed in Appendix I.

The client shall instruct the member of the stock exchange to report to the stock exchange of any new account that it may open through which the client intends to operate in derivatives.

If the stock exchange finds that the client has not reported about all their accounts, the Trade Director can decide this client is not considered to be a reporting client for a period determined by the Trade Director and which will not exceed one year.

In addition to the aforesaid, at the beginning of each calendar year the client shall instruct each of the members of the stock exchange through which it operates in derivatives to provide the stock exchange with a list of all the accounts through which the client operates in derivatives.

The client's instruction to the members of the stock exchange shall be as detailed in Appendix H.

If a member of the stock exchange received such an instruction from their client, they shall provide the stock exchange with the list of this client’s accounts as detailed in Appendix I.

(D) When a decision has been made to change the limit on open positions in a manner that reduces the permitted open positions, a thirty days' advance notice thereof shall be given to the members.

(E) 1) The MAOF Exchange shall debit the account of the member, through whom the client that digresses from the limit on open positions acted, by an amount that is equal to the number of open positions in the client's account at the end of the preceding trading day in excess of the limit, multiplied by NIS 20.

2) The General Manager of the Stock Exchange may order that the said debit be made public, if he concluded that the circumstance justify doing so.

The publication shall include the particulars that the General Manager will prescribe.

3) A member will be exempt from the obligation as stated in section D.1) above, provided that the following two cumulative conditions are met:

(A) The deviation from the open positions limit stems solely from a change in the delta.

(B) The client did not deviate from the limit on open positions on the trading day following the day on which the said deviation was discovered.

Exemption as stated in paragraph 3) above will not be granted if the client has exceeded the limit on open positions on the last trading day of a series of derivatives or on the day on which expiration price was determined.

(F) Exceeding the open positions limit

The General Manager of the Stock Exchange can approve a client’s deviation from meeting the open positions limit, under the following conditions:

1) If the client’s deviation from the limit on open positions was due to a malfunction or technical error, and as such, for a period of time determined by the General Manager of the Stock Exchange and which shall not exceed five trading days.

2) If the client submitted a request to exceed the limit on open positions, due to their intention to merge with another client or due to an event with similar results, and as such, for a period of time determined by the General Manager of the Stock Exchange and which shall not exceed six months.

(G) Hedging client

A reporting client can request that the General Manager of the Stock Exchange allow them to take into account units of stock, index, or foreign exchange, as the case may be for the purpose of reducing the delta in calculating the open positions limit (hereinafter: "hedging client").

Such a request shall made be as detailed in Appendix J.

The General Manager of the Stock Exchange will recognize the client as a hedging client, taking into account the type of client and the strategy inherent in the composition of positions in this client's accounts. Should the General Manager of the Stock exchange consider a client to be a hedging client, the maximum number of units this client can integrate will also be determined, provided that this number of such units does not exceed two thirds of the open positions limit for the same underlying asset.

(H) For the purpose of section 6:

"Delta" -

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

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

2) Futures delta – 1.

"A share unit" –

An amount of shares that is equal to the multiplier of the underlying asset of the share option, provided that the said number of shares is held by the same exchange member.

"FX unit" –

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

"Index unit" –

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

“Market maker” –

Within its meaning in the Stock Exchange Rules, who acts as market maker for share options, and reports his holdings of the underlying asset to the stock exchange, so that they can be taken into consideration in calculating the open positions limit.

CHAPTER SIX A – QUOTE GENERATOR ACTIVITY

For the purpose of this chapter –

“Client” – a client of a member, including the nostro account of the member.

“Generator number” –a number identifying a quote generator in the TASE trading system. Each quote generator will be assigned a singular generator number;

“Order to Trade Ratio (OTR)” – Transaction-based OTRand Volume based OTR as stipulated in paragraph 3 below.

“CTCI Connection” ("Computer to Computer Interface") – through which members are able to transmit orders to TASE.

“Order” – including an order to cancel or modify an existing order.

1. **Exchange approval to submit orders through a quote generator**

   A member will not permit its client to submit orders to the Exchange through a quote generator until after the member has made a request to the Exchange to submit orders through a quote generator (hereafter: “the request”) and after the receipt of a Generator Number issued by the Exchange for that quote generator.

   A request shall be submitted to the Exchange through a “Request to Submit Trading Orders through an Order Generator” application form, enclosed in the Regulations as Appendix 4.

   Each order submitted through a quote generator shall be marked with the quote generator’s Generator Number.

   Should activity through a quote generator be discontinued, the member will disclose this to the Exchange by the end of the first quarter of the year following the calendar year in which the activity through that quote generator was discontinued.

2. **Use of a Generator Number for orders originating solely from quote generators**

A member shall not permit its client to submit an order marked by a Generator Number unless it is submitted through the quote generator to which that Generator Number was assigned.

A member may permit its client to conduct activity through more than one quote generator, on the condition that each quote generator is assigned a Generator Number, as stipulated above.

3. All quote generators are required to comply with the following OTRs[9]:

a. Transaction-based OTR

$$\mathrm{OTR_{no}} = \frac{\mathrm{Number\_of\_or}}{\mathrm{Number\ \_of\ \_tr} + \mathrm{Floor}} - 1$$

Where:

Term		**Definition**
$\mathrm{OTR_{no}}$	–	The ratio between the number of orders submitted through a quote generator which were not executed and the number of orders submitted through that quote generator that were executed.
$\mathrm{Number\_of\_or}$	–	The number of orders submitted through a quote generator, in a securities group or derivatives group, on a given trading day.
$\mathrm{Number\_of\_tr}$	–	The number of orders executed in a securities group or derivatives group, entirely or partially, on a given trading day.
Floor	–	The number representing the daily quota of orders not taken into account for calculating the ratio.

b. Volume -based OTR[10]

$$\mathrm{OTR_{vol}} = \frac{\mathrm{Volume\_of\_or}}{\mathrm{Volume\ \_of\ \_tr} + \mathrm{Floor}} - 1$$

Where:

Term		**Definition**
$\mathrm{OTR_{vol}}$	–	The ratio between the volume of securities represented in orders submitted through a quote generator that were not executed and the volume of securities represented in orders submitted through that quote generator, which were executed.
$\mathrm{Volume\_of\_or}$	–	The total volume of a securities group or a derivatives group represented in orders submitted through a quote generator on a given trading day.

9 Decisions regarding OTR ratios according to this paragraph are specified in chapter "Resolutions of The Board of Directors and The General Manager" in this Trading Guide.

10 Volume-Based OTR will become effective upon board of directors decision

Term		Definition
Volume_of_tr	–	The total volume of a securities group or a derivatives group represented in orders submitted through a quote generator that were executed, entirely or partially, on a given trading day.
	–	The number representing the daily quota in terms of volume of securities or derivatives that were not taken into account in the calculation of the ratio.

c. The General Manager of the Stock Exchange may, from time to time, set maximum OTRs for each securities group or each derivatives group, individually.

The General Manager of the Stock Exchange may, from time to time, set the “Floor” value for each securities group or each derivatives group individually.

The General Manager of the Stock Exchange may, from time to time, set maximum OTRs and/or Floor values, regarding quote generators operated by a TASE-approved market maker, quote generators operated by statutory market makers, and regarding quote generators operated by designated market makers, as this term is defined in Chapter 9B, which differ from those set for quote generators operated by a party which is not one of the aforementioned market makers.

Decisions by the General Manager of the Stock Exchange under this sub-paragraph shall be disclosed at least 5 days prior to their entering into effect.

d. A quote generator shall not deviate from the maximum OTRs set by the General Manager of the Stock Exchange.

e. A member shall inform its client that conducts activity through a quote generator, as to the maximum OTRs set by the General Manager of the Stock Exchange, for each securities group or each derivatives group, in which the client is active through a quote generator.

For the purpose of this chapter –

“Derivatives group” – derivatives with the same underlying asset, with similar specifications, as defined by the General Manager of the Stock Exchange or a person authorized by him/her.

“Securities group” – securities, with similar characteristics, as defined by the General Manager of the Stock Exchange or a person authorized by him/her.

4. **Criteria for operating a quote generator through a member**

A member may permit its client to conduct activity through it by way of a quote generator, under the condition that the following criteria are met:

a. The member was issued a Generator Number for that quote generator by the Exchange. All the orders submitted through that quote generator shall be marked with the said Generator Number.

b. The member has the infrastructure, which enables it to immediately disconnect the quote generator in a manner, which prevents the submission of trading orders through that quote generator.

c. The member has the infrastructure, which enables it to check, on a daily basis, that no quote generator has violated the OTRs set by the General Manager of the Stock Exchange.

5. **Member preparedness regarding client submission of trading orders through a quote generator**

a. **Appointment of a supervisor of quote generation activity**

A member, the clients of which submit trading orders through quote generators, shall appoint a person to supervise on its behalf the activity of said clients (hereafter: "the supervisor").

The supervisor shall ascertain on a daily basis, at the end of trading, that none of the quote generators deviated from the OTR ratios set by the General Manager of the Stock Exchange.

The supervisor shall deliver to the Exchange, upon its request, any relevant information relating to the activity of the member's clients through quote generators.

The member shall inform the Exchange as to the identity of the supervisor acting on the member's behalf and shall update the Exchange regarding any changes to the supervisor's identity. This shall be reported to the Exchange through a "**Appointing a supervisor of quote generator activity**" form, enclosed in the Regulations as Appendix 5.

b. **Actions the Exchange is entitled to undertake regarding a quote generator**

A member shall enable its client to conduct activity through a quote generator, subject to the client's confirmation that it is aware of and consents to the following:

1) The member will disconnect the quote generator so that it will not be possible to submit trading orders through it, should the Exchange request the member to do so.

2) The member will cancel orders submitted through the quote generator that are pending execution, should the Exchange request the member to do so.

3) The Exchange may reject orders submitted through a quote generator, should it become clear that the activity of that quote generator obstructs trading on the Exchange and this, even if that quote generator has not deviated from the OTRs set by the General Manager of the Stock Exchange. In such a case, the Exchange shall cancel the orders pending execution, which were submitted through that quote generator prior to the decision to reject said orders.

c. **Marking orders**

A member shall mark orders originating from quote generators, in a manner prescribed by the Exchange.

6. **Actions that the Exchange is entitled to undertake with respect to CTCI connections**

The General Manager of the Stock Exchange or a person authorized by him/her may decide on any of the following actions, and this, should it become clear that CTCI connection activity obstructs trading on TASE:

a. Disconnect the CTCI connection such that it will not be possible to submit trading orders to the Exchange over it.

b. Cancel orders submitted over the CTCI connection that are pending execution.

c. Reject order submitted over a CTCI connection. In this case, the Exchange will cancel orders that have not yet been executed, which were submitted over that CTCI connection, prior to the decision to reject said orders.

d. To slow down the pace of processing orders submitted over the CTCI connection by the Exchange trading system.

7. **Trading halt of all quote generation transactions**

The General Manager of the Stock Exchange or a person authorized by him/her may determine that on a given trading day, or part of it, submission of trade orders through quote generators will not be permitted, and this, if on that day, unusual trading activity is anticipated.

Announcement of a ban on trading activity conducted through quote generators will be given to the supervisors, who will see to the immediate disconnection of quote generators, and will inform the clients operating these quote generators.

8. **Action that TASE is entitled to undertake against a member that has a client conducting activity through a quote generator**

a. Rejection of new orders and cancellation of orders pending execution

The General Manager of the Stock Exchange or a person authorized by him/her may reject orders submitted through a quote generator, if it becomes clear that the activity of that quote generator obstructs TASE trading, and this, even if the quote generator does not deviate from the OTRs set by the General Manager of the Stock Exchange. In this case, the Exchange will cancel orders pending execution, which were submitted through that quote generator prior to the decision to reject said orders.

b. Payment to the Exchange

In addition, and without detracting from that stated in sub-paragraph 8.a above, TASE shall collect payment from a member, if the quote generator acting through the member deviated from the OTRs set by the General Manager of the Stock Exchange.

In such a case, the member shall pay the Exchange a sum, plus V.A.T., as will be determined by the Board of Directors, for each excess order and/or excess volume11. For the purpose of this sub-paragraph –

“Excess Order” - OR

$$\mathrm{OR} = \mathrm{Number}_{\mathrm{of}_{\mathrm{or}}} - \left[\mathrm{Number}_{\mathrm{of}_{\mathrm{tr}}} + \mathrm{Floor}\right] \times \left[\mathrm{OTR}_{\mathrm{j}} + 1\right]$$

Where:

Term	Definition
OR	ess order
Number_of_or	number of orders submitted through a quote generator, for a securities group or a derivatives group on a given trading day.
Number_of_tr	number of orders executed in a securities group or in a derivatives group, entirely or partially, on a given trading day.
Floor	number representing the daily quota of orders that are not taken into account in the calculation of the ratio.

* The Board of Directors set the payment for each excess order and/or excess volume shall be 6 agorot. For the period of three months following the date the volume-based OTR was activated, TASE shall not charge payment for excess volume.

Term	Definition
OTR_j	maximum OTR for a securities group j or derivatives group j as set by the General Manager of the Stock Exchange

For this purpose – "derivatives group" – derivatives with the same underlying asset, with similar specifications, as defined by the General Manager of the Stock Exchange or a person authorized by him/her.

"Securities group" – securities, with similar characteristics, as defined by the General Manager of the Stock Exchange or a person authorized by him/her.

"Excess Volume -VOL - "

$$VOL = Volume_{of_{or}} - \left[Volume_{of_{tr}} + Floor\right] \times \left[OTR_j + 1\right]$$

Where:

Term		Definition
VOL	–	Excess volume.
$Volume\_of\_or$	–	The total volume of a securities group or a derivatives group, which is represented in orders submitted through a quote generator on a given trading day.
$Volume\_of\_tr$	–	The total volume of a securities group or a derivatives group which is represented in orders submitted through a quote generator that were executed on a given trading day.
	–	The number representing the daily quota of the volume of securities or volume of derivatives, which were not taken into account in the calculation of the ratio.
OTR_j	–	The maximum OTR volume for a securities group j or derivatives group j as set by the General Manager of the Stock Exchange.

For this purpose – "derivatives group" – derivatives with the same underlying asset, with similar specifications, as defined by the General Manager of the Stock Exchange or a person authorized by him/her.

"Securities group" – securities, with similar characteristics, as defined by the General Manager of the Stock Exchange or a person authorized by him/her.

c. Notwithstanding that stipulated in subparagraph 8.b. above, the TASE General Manager or a person authorized by him/her may exempt a member from payment for OTR deviations in under the following circumstances:

1) The member proved to TASE's satisfaction that the deviation was caused by a technical failure of the quote generator.

2) The TASE General Manager or a person authorized by him/her has determined that the deviation emanated from extraordinary market conditions.

CHAPTER SEVEN: SECURITIES LENDING AND SHORT SALES

1. Securities Lending Under a Lending Contract

    1. A lending contract shall contain, *inter alia*, the following information:

        1. The names of the lender and the borrower and their account numbers.

        2. The date the lending commences.

        3. The name of the security lent and its number.

        4. The quantity of the security on loan.

        5. The lending period or the conditions that bring an end to the lending period.

        6. Unless the master loan agreement stipulates that ownership of the lent security is transferred to the borrower at the beginning of the lending period, the master loan agreement shall include the lender's waiver of the voting rights attached to the lent security for the entire duration of the lending period.

        7. Details regarding the arrangements between lender and borrower regarding the money, rights and benefits attached to the lent security from the time the loan enters into effect and until the end of the lending period.

        8. The lending fee and collateral given by the borrower with respect to the lent securities.

    2. A member whose client lends a security shall receive from that client an irrevocable written authorization which authorizes the member to transfer, unconditionally, the lender's rights in the lent security in their entirety to the borrower, should the short balance in the borrower's account fail to cover the entire lending period.

        A member whose client lends a security shall be exempt from receiving the aforesaid written authorization if it is set in advance in an agreement between the parties that upon the security lending's entry into force, ownership of the lent security is transferred to the borrowing client.

    3. A copy of each lending contract and each aforementioned written authorization shall be kept by the member whose client is party to the lending contract.

2. Securities Lending Under a Master Loan Agreement

    a. A master loan agreement shall include all the details and terms specified below, as well as additional terms to be determined by the parties to the master loan agreement:

1. The names of the parties to the master loan agreement and their account numbers.

2. Rules for determining the securities eligible for lending. Inter alia, rules pertaining to the following can be set: the type of securities eligible for lending; the portion of securities eligible for lending; the maximum quantity of securities that can be lent; the maximum value on the date the lending of the eligible securities takes place, etc.

3. The period the master loan agreement is valid or the conditions under which the agreement will cease to be valid.

4. The conditions that must be met to have the securities lending become effective.

5. Unless the master loan agreement stipulates that ownership of the lent security transfers to the borrower at the beginning of the lending period, the master loan agreement shall include the lender's waiver of voting rights attached to the lent security for the entire duration of the lending period.

6. Details regarding the arrangements between lender and borrower as to the money, rights and benefits attached to the lent security from the time the loan enters into effect and until the end of the lending period.

7. The lending fee and collateral given by the borrower with respect to the lent securities.

b. In addition to the provision in subparagraph a. above, details regarding the lending period or conditions that will bring the lending period to an end may be included in the master loan agreement. Should these details not be included in the master loan agreement - the parties shall set the aforesaid details prior to the execution of every loan under the master loan agreement.

c. The member, at which the securities eligible for lending under the master loan agreement are registered to the credit of a client, shall receive from the lending client an irrevocable written authorization which authorizes the member to transfer, unconditionally, the lender's rights in the lent security in their entirety to the borrower, should the short balance in the borrower's account fail to cover the entire lending period.

The written authorization will stipulate that it enters into effect each time securities are lent under the master loan agreement.

A member whose client lends a security shall be exempt from receiving the aforesaid written authorization, if it is set in advance in an agreement between the parties that upon the loan's becoming effective, ownership of the lent security is transferred to the borrowing client.

d. A copy of each master loan agreement and each aforementioned written authorization shall be kept by the member whose client is party to these documents.

e. A member whose client is a party to a master loan agreement shall manage the lending activity of its client according to the terms set therein.

3. <u>General instructions for securities lending</u>

a. A security may be lent only if all of the following conditions are met:

1) The rights of the lender in the security are free from any charge, attachment or lien or any other form of third-party right.

2) The security is not blocked under any provision of the Exchange Rules and Regulations.

3) The sale of the security is not restricted under paragraphs 15A through 15C of the Securities Law.

4) The security is not a "dormant share" as its meaning in section 308 of the Companies Law, 5759-1999.

5) The security is not a share of a company registered to the benefit of its subsidiary or the benefit of another corporation controlled by the company.

b. 1) The lending of a security shall be carried out through its transfer from the account of the lender to the account of the borrower.

2) The provisions of subparagraph 1) above notwithstanding, when the lender and the borrower are clients of the same member, a security may be lent by designating it in the lender's account as a lent security, without actually transferring the lent security from the lender's account, and this under the condition that the member does not permit the lender to sell the lent security, pledge the security as collateral, and if the security is convertible, not permit the lender to convert it.

c. A member whose client is a party to securities lending shall act in accordance with the arrangements set in the lending contract or the master loan agreement, as applicable, with respect to the money, rights and benefits attached to the lent security.

4. <u>Conditions Governing Short Sales</u>

a. Short sales are permitted for securities, excluding derivatives, listed on the Exchange.

b. A member may, at its discretion, allow its client to execute a short sale contingent on one of the following conditions:

1) The client borrowed the security.

2) The member ascertained that the client will borrow the security by the date set in the Bylaws of the TASE Clearing House as the clearing date of the sale.

3) The client is a party to a master loan agreement which under its terms, he is entitled to borrow securities and solely if that client undertakes all necessary measures so that the said securities lending will be carried out by the date set in TASE Clearing House Bylaws as the clearing date of the sale.

c. A member may, at its discretion, allow its client to execute a short sale even if one of the conditions stipulated in subparagraph b. above is not met, and this in the following instances:

1) The results of a public offering were made public, according to which the client is entitled to receive securities traded on the Exchange ("the received security"), and solely that the sale of the received security is executed immediately following the publication of the offering results.

   In this section, an exchange tender offer is not considered public offering.

2) The results of an exchange tender offer were made public, according to which the client is entitled to receive a security traded on the Exchange ("the received security"), and solely if the sale of the received security is executed following the approval of the tender offer.

3) The client was allocated rights to a security of a type already traded on the Exchange ("the received security") and he gave the member an irrevocable instruction to exercise those rights, and solely if the sale of the received security is executed directly after the said instruction was given.

4) The client is owner of a security convertible to a security traded on the Exchange ("the received security") and he gave an irrevocable instruction to a member to convert that convertible security and the convertible security is eligible for conversion at that time, and solely if the sale of the received security is executed directly after the instruction was given.

5) The client is entitled to bonus shares, and the sale of these shares is executed between the *ex* date and the distribution date.

6) The client is entitled to a security traded on the Exchange ("the received security"), within the framework of the distribution of a dividend-in-kind, and all the following conditions are met:

   a) The member shall not permit the client to sell the security for which the received security is distributed as a dividend-in-kind, and this until the *ex* date of the dividend-in-kind action.

b) The sale of the received security is executed between the trading day preceding the *ex* date and the distribution date.

7) The client is entitled to a security traded on the Exchange ("the received security"), withing the framework of a debt restructuring under section 320 of the Insolvency and Financial Rehabilitation Law 5778-2018 (hereinafter: "debt arrangement"), and all the following conditions are met:

a) The member shall not permit the client to sell the security for which the received security is allocated as part of the debt arrangement, and this until the *ex* date of the allocation under the debt arrangement action.

b) The sale of the received security is executed between the trading day preceding the *ex* date and the allocation date.

8) The client is entitled, according to the results of a merger agreement, as its meaning in paragraph 5. of the Base Price Appendix of the Regulations under part three of the Exchange Rules, to receive shares in the absorbing company and the said shares of the absorbing company are traded on the Exchange ("the received security"), and all of the following conditions are met:

a) The member shall not permit the client to sell the security for which the received security is allocated within the framework of the merger, and this until the *ex* date of the allocation under terms of the merger.

b) The sale of the received security is executed between the trading day preceding the *ex* date and the allocation date.

For each one of the cases listed in subparagraphs c.1) through c.7) above, if the short balance was not covered in the client's account by the allocation date, the member shall cover the short balance for the client on the first trading day following the allocation date.

9) The client shall undertake before the member to purchase the security on that trading day.

If the short balance in the client's account has not been covered on that trading day, the member shall cover the short balance for the client on the following trading day.

A member shall not permit a client who systematically fails to meet his commitments to purchase securities on the designated trading day to execute a short sale under this subparagraph.

10) The client requests to sell a security on the Exchange which is traded on it as well as on an exchange abroad and at least one of the following conditions are met:

a) The client holds the security abroad with the same member through which he executes the sale, and the sale of the security is executed directly following irrevocable instructions he gave the member to transfer the security immediately to the account of the TASE Clearing House member.

b) The client undertook before the member through which the sale is carried out, that he has done all that is necessary to immediately transfer the security to his account with the member.

If the short balance created in the client's account under subparagraph 10) is not covered within eight trading days, the member will cover the short balance for the client on the following trading day.

11) The sale of a security shall be carried out directly after the client notifies the member through which the sale is executed that the security is registered in his name with another member and that he has undertaken to transfer it to his account with the member through which the sale is executed, within the following time periods:

a) when the client is an Israeli resident – within one trading day.

b) when the client is not an Israeli resident – within three trading days.

If the short balance created in the client's account is not covered within the time periods designated above, the member shall cover the short balance for his client on the following trading day.

12) a)The client is owner of non-listed warrants, which were allocated to him within the framework of an employee stock option placement in a listed company covered in section 102 of the Income Tax Ordinance, and the trustee has given instructions to the member to sell the shares that will result from the exercise of these warrants, and has undertaken to do everything necessary to register the shares that will be received from the exercise of the warrants with the account of the member in TASE Clearing House, within three trading days from the date of the sale of the shares, at the latest.

b)The client is the owner of non-listed warrants, which were allocated to him within the framework of an employee stock option distribution in a listed company not covered in section 102 of the Income Tax Ordinance, and the member received written notice from the listed company confirming that the client is entitled to warrants for which the number of shares stemming from their exercise is equal at least to the number or shares the client instructed to sell, and that it received from the client irrevocable instructions to exercise the aforementioned warrants, and that it undertakes to do everything necessary to register the shares that will be received from the exercise of the warrants with the account of the member in TASE Clearing House within three trading days from the date of the sale of the shares, at the latest.

If the short balance created in the client's account is not covered within the time periods designated above, the member shall cover the short balance for his client on the following trading day.

13) The sold security is a unit in an E.T.F., which is already trading on the Exchange and the client submitted an irrevocable request to create the aforementioned E.T.F. unit by an appointed time, as defined in the Joint Investment Trust Law, 5754 – 1994 on a price calculation day, and at the same time, gave the member irrevocable instructions, stating that if the fund manager fails to create the unit, the member shall do everything necessary to acquire the number of E.T.F. units sold on the following trading day and to transfer them to the account of the client in order to cover the short balance in the client's account.

14) The client is a statutory market maker and it sold an E.T.F., which is already trading on the Exchange, on a day which is not a price calculation day, and the market maker submitted an irrevocable request to create a unit of the aforementioned E.T.F., and at the same time, gave the member an irrevocable instruction stating that if the fund manager fails to create the unit on the first trading day which is a price calculation day, the member shall do everything necessary to acquire the number of E.T.F. units sold on the following trading day and to transfer them to the account of the market maker in order to cover the short balance in the market maker's account.

d. Notwithstanding the provisions of paragraph c. above, a member shall not allow its client to carry out a short sale of a security during the three trading days prior to the record date for eligibility to participate in the general meeting or the record date of any right, and until the end of the said record date.

Should a member allow its client to carry out a short sale of a security under the terms stipulated in paragraph c. above, and three or fewer days remain prior to the record date, the member shall immediately cover for the client the short balance.

The provisions of this paragraph d. shall not apply to cases in which the client undertook before the member to acquire the security on the same trading day, as stated in paragraph c.9) above.

5. Short Balance Resulting from an Error

a. Should an error occur, which causes a security to have a short balance, the member shall cover the short balance within two trading days from the day the short balance is created.

b. The General Manger of the Exchange or someone authorized by him may, considering the liquidity of the security, at the request of the member, extend the period the member has to cover the short balance (hereinafter: "added period"), and solely if the added period does not exceed eight trading days.

c. If the member fails to cover the short balance within two days as aforesaid in subparagraph a. above, or by the end of the added period, as specified in subparagraph b. above, as applicable, the short balance shall be considered a short balance resulting from a short sale which did not meet the conditions stipulated in paragraph 4.b. above.

d. A member shall report any erroneous short balance as aforesaid above to the Exchange on a daily basis, starting with the third trading day following the occurrence of the error or starting from the trading day following the added period, as applicable, and until the day the short balance is covered.

6. Short Balance Resulting from a Pending Transaction

Should a short balance of a client result from the sale or transfer of a security acquired in an Exchange transaction, which became a pending transaction, the member shall cover the short balance for the client on the trading day the pending transaction became a failed transaction, as its meaning in the TASE Clearing House By-laws.

7. Reporting

At the end of each week, the member shall report the following details, for each security. The aforementioned report shall be delivered by the member no later than the end of the first trading day following the week for which the report is submitted. These are the details:

1) The balance of short sales as it was on the last trading day in the week preceding the week for which the report is submitted.

2) The balance of short sales as it was on the last trading day of the week for which the report is submitted.

The Exchange shall aggregate the data regarding short sale balances for each security, which were received from the members' reports and publish them.

The provisions of this paragraph shall not apply to short balances resulting from short sales under paragraphs 4.c., 5. and 6. above.

8. Means for securities lending and short sale management[12]

A member shall possess the means and mechanisms, including professional human resources and computer systems, which will enable it to manage lending and short sale activity in an orderly and efficient manner, to supervise the aforementioned activity and audit it, including:

---

[12] This paragraph shall enter into force on 1.9.2024.

a. A member shall have a system which enables it to manage its clients' lending, as stipulated below:

   1) A member shall conduct a registry of securities lent by its clients. Registration shall include, *inter alia*, details of financial arrangements, the rights and benefits attached to the lent securities, during the lending period.

   2) A member shall conduct a registry of securities eligible for lending through a master loan agreement to which his client is party. The registration shall include, *inter alia*, the quantity of securities available for lending and the quantity of securities lent.

   Registration entries shall be updated at the end of each trading day.

b. A member shall have a system, which enables it to generate a daily report of short sale balances, which shall include, *inter alia*, the following details for each client:

   1) client details – name and client number;

   2) security details – name and number of the security;

   3) the short balance of the security;

   4) the monetary value of the short sale balance;

   5) the date the short sale was executed.

c. A member shall have a system, which enables it generate a daily report of short sales balances, which shall include, *inter alia*, the following details for all its clients:

   1) security details – name and number of the security;

   2) the short balance of the security;

   3) the monetary value of the short balance.

d. A member shall possess a system, which enables it to generate a daily report of short sales movements, which shall include securities that were sold short, track changes in short balances, and include, *inter alia*, the following details:

   1) client details – name and client number;

   2) security details – name and number of the security;

   3) opening balance – quantity and monetary value;

   4) transactions in number of securities – including date and type of activity;

5) closing balance – quantity and monetary value;

9. Fines

1. A daily fine of NIS 500 plus V.A.T. (NIS 585 including V.A.T.) shall be imposed on a member whose client sold a security short without a valid lending contract, for each security in which the client has a short balance as aforesaid.

2. A daily fine of NIS 5,000 plus V.A.T. (NIS 5,850 including V.A.T.) shall be imposed on a member who failed to report to the Exchange as stipulated in paragraph 7 above,

3. The fines specified in subparagraphs a. and b. above shall be paid in their nominal value.

4. The Exchange shall make public the imposition of fines specified in subsections a. and b. above, if the aggregate sum of the fines imposed on that member during the year preceding the date the fine is imposed exceeds NIS 15,000 plus V.A.T. (NIS 17,550 including V.A.T.) for each of the violations specified above; and solely if the member did not petition, within the time period specified in the Rules, to clarify the matter before a judicial panel. The published notice shall include the name of the member committing the violation, a description of the violation and the fine imposed.

5. The General Manager of the Exchange may instruct to make the imposition of fines on a member as specified in subsections a. and b. above public, even if the aggregate sum of the fines imposed on that member, for each of the violations specified above, during the year preceding the date the fine is imposed, does not exceed NIS 15,000 plus V.A.T. (NIS 17,550 including V.A.T.), and this if in his opinion, the circumstances warrant this, and solely if the member did not petition, within the time period specified in the Rules, to clarify the matter before a judicial panel.

   The published notice shall include details as prescribed by the General Manager of the Exchange.

The monetary amounts in this paragraph are not linked to the index.

CHAPTER EIGHT: CONDITIONS AND PROCEDURES FOR MEMBERS' OFF-EXCHANGE TRANSACTIONS IN SECURITIES LISTED FOR TRADING ON THE EXCHANGE

Off-exchange transactions shall be reported separately for each transaction executed through the member on that day and shall include the following details:

- the particulars of the members that are parties to the transaction;
- signification of the type of client*;
- details regarding the transacted security;
- the quantity of securities transferred;
- the transaction price;
- financial consideration set for the transaction, and the currency in which the proceeds are paid;
- the account numbers in the TASE Clearing House through which the transaction is cleared;
- the manner in which the transaction is settled (through the Clearing House or not through the Clearing House).

* Will come into force upon completion of the technical preparation.

CHAPTER NINE: TRADING HALTS

1. **Securities other than derivatives**

a. 1) If grounds for the temporary halt of trading in a security arose between the closing phase and 30 minutes before the earliest opening phase in a security on the following trading day, then trading in the security shall not be halted.

2) If grounds for the temporary halt of trading in a security arose and it was decided to halt trading after the time frame stipulated in clause 1) above, but before the opening trading phase, then the following shall apply:

a) There shall be a halt for 29 to 30 minutes from the moment when the halt in trading was announced (hereafter: fixed halt in trading); if less than 45 minutes are left until the opening trading phase, then the opening trading phase for that security shall be delayed and it shall take place after the end of the fixed halt in trading of the security;

b) No orders shall be accepted and the theoretical price and turnover shall be published during the first 15 minutes of the fixed halt in trading;

c) During the next 14 minutes of the fixed halt in trading, orders shall be accepted, including orders to cancel and to change orders submitted before the fixed halt in trading of the security. The price and volume shall be published during this interval.

d) Opening trading shall take place at a random time during the 30 minutes of the trading halt. However, If the trading halt end during the pre-opening phase, the opening trade in the particular security will take place at the end of the pre-opening phase. The provisions of the above subsection c) shall apply up to the opening trading.

3) If grounds for a temporary halt of trading arose and it was decided to halt trading in a security after the continuous trading phase with that security began, but before the pre closing phase with that security, then there shall be a fixed halt in trading and the following shall apply:

a) If the fixed halt in trading comes to an end in the course of continuous trading in the security –

(1) No orders shall be accepted and ~~no~~ additional theoretical price and volume shall be published during the first 15 minutes of the fixed halt in trading;

(2) During the next 14 minutes of the fixed halt in trading only limit orders, stop-limit orders and iceberg orders shall be accepted, including

orders to cancel and orders to change orders that had been made before the fixed halt in trading of the security;

An additional theoretical price and an additional theoretical volume of the security shall be published during this interval;

(3) Additional opening trading shall take place at a random time during the 30 minutes of the trading halt (hereafter: "additional opening trading"), and an additional opening price shall be determined for the security (hereafter: "additional opening price").

The additional opening price shall be calculated in the way the opening price is calculated, however –

– Stop-limit orders which are submitted during a trading halt for which the trigger criterion is met with respect to the price of the last transaction executed prior to the trading halt shall be activated immediately upon submission and shall participate in the Additional Opening trading.

– If full or partial balance between the buy orders and the sell orders was not achieved, or if no orders at all were received for the security, then the price of the last transaction carried out with that security before the fixed halt in trading shall be determined to be the additional opening price;

– If the largest trading volume in the security is reached at more than one price, then the additional opening price shall be the price that is nearest to the price of the last transaction carried out in the security before the fixed halt in trading.

(4) In the additional opening trading the price of the security shall be allowed to fluctuate without limit.

(5) After the additional opening price has been determined, continuous trading shall be resumed.

b) If the fixed halt in trading ends during the pre-closing phase of the security, then the provisions of paragraphs a)(1) to (4) above shall apply; however, the additional opening trading shall be postponed and shall take place at the time of the closing trading.

c) If the fixed halt in trading is supposed to end after the closing trading phase of the security, then trading shall be halted and it shall not be resumed on that trading day.

Notwithstanding the aforesaid, if trading was halted because of the Tel Aviv-35 index fluctuated by 8% from the base index of that day, then the General

Manager of the Stock Exchange or a person authorized by him may decide that trading be resumed on that trading day.

b. A temporary halt in trading a security does not cancel orders submitted before it began.

c. The General Manager of the Stock Exchange or a person authorized by him/her may extend a fixed halt in trading and decide that it continue for more than 30 minutes or that it continue until the end of the trading day.

If a halt in trading was extended as aforesaid, then during that period of time only limit orders may be submitted, including orders to cancel or to change orders submitted before the trading halt in that security, and the provisions of subsection A.3)a), paragraphs (3) to (5), and of subsection A.3)b) and c) above shall apply. During this period the theoretical price and the theoretical volume of the security shall be published.

d. The General Manager of the Stock Exchange or a person authorized by him/her may determine in advance that a temporary halt in the trading of a security not be a fixed halt in trading, but that it shall extend for a period longer than 30 minutes, or that it continue until the end of the trading day.

If it was decided in advance that a halt in trading not be a fixed halt in trading, then notice thereof shall be given, no orders shall be accepted from the time when notice was given that trading had been halted as aforesaid and until the end of the trading day, subject to the provisions of this section below.

If it is later decided that trading in that security be resumed on that same trading day, then notice thereof shall be made public, a fixed halt in trading the security shall take place from the publication of the notice until trading is resumed, and the provisions of subsection a.3)a) above shall apply.

2. **Sharp fluctuation of the TA-35 index during the continuous trading phase**

a. 1) Should the TA-35 index fluctuate by more than 8%, but by less than 12%, relative to the base index value on that day, then the General Manager of the Stock Exchange or a person authorized by him/her shall halt trading in shares, in securities convertible into shares, in ETFs for which the tracked asset is a share price index and foreign exchange-traded funds for which the tracked asset is a share price index, in derivatives of shares and in derivatives of share indexes, excluding institutional shares and excluding bonds convertible to institutional shares, for a period of 30 minutes, which shall commence upon announcement of the trading halt.

The provisions of subsection 1) shall not apply on a day on which a circuit breaker was activated during the pre-opening trading phase.

2) If trading was halted during the continuous trading phase according to subsection 2.a.1) above, and if – after trading was resumed, the fluctuation from the base

index value subsided and then rose again to 8% or more in the same direction, then trading shall not be stopped a second time due to a change of less than 12% in the TA-35 index, relative to the base index value on that day.

3) a) If the TA- 35 index fluctuated by 12% or more from the base index value on that day, then the General Manager of the Stock Exchange or a person authorized by him/her shall halt trading in shares, in securities convertible into shares, in ETFs for which the tracked asset is a share price index and foreign exchange-traded funds for which the tracked asset is a share price index , in derivatives of shares and in derivatives of share indexes, excluding institutional shares and excluding bonds convertible to institutional shares, until the end of the trading day.

b) Notwithstanding the aforesaid, the General Manager of the Stock Exchange may, in consultation with the Chairman of the Board of Directors, resume trading on the same trading day, if it is his opinion that under the circumstances there is justification for doing so.

When the decision to resume trading has been made, the General Manager of the Stock Exchange may decide to change the trading schedule and notice thereof shall immediately be made public on the information distribution systems of the Exchange. A said resumption of trading may be after less than 30 minutes elapsed since the notice of the trading halt had been made.

b. If trading was stopped during continuous trading in accordance with subsection 2.a. above, then the General Manager of the Stock Exchange may, in consultation with the Chairman of the Board of Directors, halt trading also in other securities that are traded on the Exchange.

c. If trading was stopped in accordance with subsection 2.a.3) above, then trading shall not be halted due to a sharp fluctuation of the TA-35 index, as said in subsection 2.a. above, on the day following the day on which trading was halted as aforesaid,

d. If trading was halted as aforesaid, then notification shall be posted immediately on the Exchange’s information distribution system.

CHAPTER TEN: PUBLICATION OF TRADING DATA

1. At the end of each trading day and before the next trading day begins the Stock Exchange shall publish the trading data on its Internet site שגיאה! ההפניה להיפר-קישור אינה חוקית., which, inter alia, shall include the following particulars:

   a. Data on the securities listed for trading on the Exchange, including the name of the security, the number of the security, the closing price and the volume;

   b. The trading volume for each security separately, not including off-Exchange transactions;

   c. Off-Exchange transactions;

   d. The following particulars shall also be published in respect of every derivative: name of the derivative, number of the derivative, closing price, volume in units, the NIS volume and the number of positions open on the preceding trading day;

   e. The total volume of transactions with shares and bonds carried out on the Exchange on that day;

   f. Additional particulars and trading data, as the Board of Directors or a person from time to time authorized by it shall prescribe.

   The provisions of this section shall not apply to institutional securities.

2. The following information shall be distributed through the Exchange information distribution system:

   a. **Information on each of the securities, other than derivatives:**

      1) The opening price and the trading volume at the opening price shall be published in the course of the phase of trading;

      2) The theoretical price and the theoretical volume;

      3) The amount of orders submitted at each of the price levels that are top priority for carrying out, both for bid and for ask to be prescribed by the General Manager of the Stock Exchange from time to time.

         Notice of a change of the price levels number shall be published by the Stock Exchange at least thirty days in advance.

         For this purpose, for iceberg orders only the visible volume shall be displayed and stop-limit orders will only be displayed following their triggering.

      4) The price of the last transaction carried out and the trading volume of the last transaction carried out, and also the total trading volume of the security, in terms of quantity and of NIS volume;

5) The highest price and the lowest price at which a transaction was carried out throughout the entire trading day;

6) The theoretical closing trading price and the theoretical closing trading volume;

7) The closing trading price and the closing trading volume;

8) The closing price and total demand or total supply at the closing price;

9) Notices of halts in trading, of fixed halts in trading and a precis of the grounds for the halt in trading;

10) The phase of trading which the security has reached.

11) Pre-arranged orders, which will be marked with a special symbol.

12) Off-exchange transactions executed in the security.

b. **Information for each of the derivatives**

1) The amount of orders submitted at each of the price levels that have the highest preference for implementation, both for bid and for ask, to be prescribed by the General Manager of the Stock Exchange from time to time.

   Notice of a change of the price levels number shall be published by the Stock Exchange at least thirty days in advance.

2) The base price.

3) Pre-arranged orders, which will be marked with a special symbol.

c. **General information**

1) Calculated indices;

2) Trading volumes of all securities;

3) Notices of changes in the trading schedule, if any;

4) Special announcements.

CHAPTER ELEVEN: CANCELLATION OF TRANSACTIONS, DUE TO TECHNICAL MALFUNCTIONS OR TECHNICAL ERRORS

1. In these rules –

   "Erroneous transaction" – a transaction on the Exchange, in which at least one of the orders that were part to its implementation was an erroneous order.

2. The General Manager of the Stock Exchange or a person authorized by him shall cancel a transaction with a security, if he is satisfied that a member erred in respect of the price limit in the order for derivatives or other securities that he submitted for implementation on the Exchange during the continuous trading phase, because of technical malfunction or a technical error, on condition that all the following conditions have been met:

   a. The price of the erroneous transaction differs from the price of the last transaction carried out with that security before the erroneous order was submitted, or from the base price of that security, if no transaction with that security was carried out on that day before the erroneous transaction, by the following percentages:

      – in respect of shares included in the TA-35 index – by at least 6%;

      – in respect of shares not included in the TA-35 index, ETFs traded according to the trading rules governing shares, foreign exchange-traded funds traded according to the trading rules governing shares and in respect of convertible bonds – by at least 12%;

      – in respect of bonds, ETFs traded according to the trading rules governing bonds and foreign exchange-traded funds traded according to the trading rules governing bonds – by at least 4%;

      – in respect of M.K.M. – by at least 2%;

      – in respect of Call (001) options and futures – by at least 4%;

      – in respect of other derivatives – by at least 20%;

      Notwithstanding the aforesaid, if the erroneous transaction was carried out in respect of an option and if no transactions were carried out with that option before the erroneous transaction, or if the General Manager of the Stock Exchange or the person authorized by him/her holds that the price of the last transaction carried out before the erroneous transaction does not reflect the economic value of the option, as it was when the erroneous transaction was carried out, then the digression shall be determined in relation to the economic value of the option, which shall be calculated according to the Black and Scholes formula;

b. The amount of the damage caused by the erroneous transaction (hereafter: the damage) is not less than NIS 50,000;

The damage shall be calculated by the General Manager of the Stock Exchange or by a person he authorized according to the differential between the erroneous transaction price and the price of the last transaction carried out with the security before the erroneous transaction, or between it and the base price of that security, if no transaction with that security was carried out on that day before the erroneous transaction, or between it and the economic value said in subsection a. above, as the case may be, multiplied by the quantity of securities in that transaction;

If several erroneous transactions were carried out in consequence of the erroneous order, then the damage that was caused shall be calculated as the total of damages caused by all the erroneous transactions;

c. The member informed the Exchange of the erroneous transaction as soon as possible and not later than twenty minutes after the erroneous transaction was carried out;

In addition to the said notification, the member transmitted to the Stock Exchange, as soon as possible and not later than forty minutes after the erroneous transaction was carried out, a written request, signed by the member's authorized signatory, that the erroneous transaction be canceled; the request shall be formulated as the Board of Directors shall decide from time to time.

3. Members are entitled to submit an application to cancel a transaction up to thirty minutes after trading in the security came to an end.

When the member's said request to cancel the erroneous transaction is received, the fact that a request to cancel the said transaction was received shall be made public over the Stock Exchange information distribution system.

The Stock Exchange shall, as far as possible, inform the member that is the other party to the erroneous transaction that the transaction may be canceled.

3A. The decision of the General Manager of the Stock Exchange whether to cancel the transaction shall be made until the beginning of the next following trading day after the day on which the transaction was carried out.

4. a. When it is decided to cancel the erroneous transaction, the members that are parties to the transaction shall be given notice of the cancellation of the transaction.

b. While a transaction is being cancelled, trading may be halted for a short interval. During this interval, orders in respect of securities cannot be submitted or cancelled.

c. Notice that an erroneous transaction was cancelled shall be made public over the Stock Exchange information distribution system.

If it was decided to cancel an erroneous transaction at the request of both buyer and seller, then the fact that the request was made by both buyer and seller shall be made public.

d. A decision to cancel an erroneous transaction shall be drawn up in writing immediately after it was adopted, and it shall be signed by the person authorized to cancel the transaction.

5. a. If it was decided not to cancel an erroneous transaction, then notice that it was decided not to cancel the transaction shall be given to the member who requested that the transaction be cancelled and – as far as possible – also to other members that were parties to that transaction.

b. Notice of a decision by the Stock Exchange not to cancel the transaction shall be made public over the Stock Exchange information distribution system.

6. A member who submitted an application to cancel a transaction shall pay NIS 1,500 plus V.A.T, to the Exchange.

If the Stock Exchange approved the member's application, the member shall pay the Exchange an additional NIS 8,500, plus VAT.

CHAPTER TWELVE: MARKET MAKING

The provisions of this chapter shall not apply to statutory market making in ETF units, as its meaning in Chapter 9A of the Third Part of the Rules, nor to market making in a foreign ETF by a designated market maker, as its meaning in Chapter 9B of the Third Part of the Rules.

Qualifications of market makers and obligations of market makers

1. If a member wishes to act as market maker, then he shall submit an application to the Exchange, formulated as specified in Schedule One.

   If whoever wishes to act as market maker is not a member, then he shall submit an application, as specified in Schedule Two, to the member through whom he proposes to act as market maker.

   The member, through whom the market maker acts, shall submit an application to the Exchange as specified in Schedule Three.

2. a. Whoever wishes to act as market maker for securities, not including derivatives, shall assume an obligation that he will act as market maker during a period of not less than one year, and that he will submit market making orders to the Exchange as required.

      Despite the above, a market maker that was appointed by a company under the provisions of Chapter 8, Section 5 of the Regulations to the Second Part of the Rules, to replace a person that no longer serves as market maker, shall undertake to serve as market maker until the end of one year from the day that market making in the company's securities originally began.

      Whoever wishes to act as market maker for derivatives, shall assume an obligation that he will act as market maker for derivatives during a period not shorter than what the Board of Directors will prescribe, and that he will submit market making orders to the Exchange as required.

   b. Notwithstanding the aforesaid in subsection 2.a., in the instances specified below, a market maker may cease making a market for a security, even if the period prescribed in subsection 2.a. above has not yet passed, on condition that he sent a written application to the Exchange (hereafter: "the application") and the General Manager of the Stock Exchange or a person authorized by him approved the application and the date on which market making for the security will cease:

      1) Another market maker began to make a market for the security;

      2) The security for which a market is being made was included in the main list when market making for it began, and later the security was moved to be traded on the maintenance list;

3) At least five continuous trading days passed, the last of them on the day before the application was received by the Exchange, on which the closing price of the security was ten agorot or less.

c. Notwithstanding the provisions of subsection 2.a., the General Manager of the Stock Exchange or a person authorized by him/her may approve an application by a market maker to cease making a market for a security or to cease doing so during a set period, even if the period prescribed in subsection 2.a. above has not yet passed, and that if information was made public in any way whatsoever about a change for the worse in the company's business condition or other substantive information that relates to the company, including its controlling members, or to the security for which the market was being made.

When the General Manager of the Stock Exchange or a person authorized by him/her decides to approve that market making cease under any of the circumstances specified above, then in his decision the General Manager shall set the date on which the cessation in market making shall go into effect, as well as the conditions thereof.

d. If the market maker ceased to comply with any of the conditions prescribed in section 5 of Chapter Nine in of the Third Part of the Rules, in respect of the security for which he makes a market, then the market maker shall cease making a market for the security twenty-one days after he sent the Exchange a written notice that he has ceased to comply with any of the said conditions.

e. The grounds for ceasing to make a market shall be included in the notice of the Exchange about the cessation in making a market for the security.

3. A market maker is exempt from submitting market making orders for execution on the Exchange when one of the following occurs, and that during the periods specified below:

a. A technical malfunction occurred and because of it the marker maker cannot transmit orders to the Exchange – as long as the malfunction exists;

When a said technical malfunction occurred, then the market maker shall inform the Exchange immediately after it was found; the said market maker shall inform the Exchange immediately after the malfunction has been repaired;

b. for a market maker in shares, institutional shares, bonds convertible to institutional shares, securities convertible into shares, derivatives written on individual shares, and on share price index derivatives, ETFs tracking a share price index and in foreign ETFs tracking a share price index – on a day on which trading was halted following a 5% or more fluctuation in the TA-35 index;

c. if the Exchange was closed – on the first day on which trading on the Exchange is resumed after the closure;

d. for a market maker in shares, institutional shares, bonds convertible to institutional shares, securities convertible to shares, in derivatives written on shares and on share price indices d, in ETFs tracking a share price index and in foreign ETFs tracking a share price index - on the trading day following a day on which trading was halted following a fluctuation of 12% or more of the TA-35 index or of the last theoretical TA-35 index;

e. in respect of derivatives – on days on which trading in the underlying asset does not take place;

f. The General Manager of the Stock Exchange or a person authorized by him/her is entitled to exempt market makers from the submission of market making orders, for a period of time to be determined, and this in consideration of the volatility of the security for which it serves as market maker or of the underlying security of that security or the asset it is tracking, as applicable, in consideration of the existence of a technical restriction preventing the transmission of information in real time to the Exchange or the receipt of information from the Exchange in real time, or if a macroeconomic event occurred that can impact trading.

3A. A company is prohibited from acting as market maker for securities issued by it, by a body corporate that controls it, or by a body corporate controlled by its controlling shareholder. The provisions of this section shall not apply to market making for ETFs, foreign exchange-traded funds and certificates of deposit.

3B. Repealed.

Examination whether market makers meet their obligations in respect of market making orders and the conditions of their qualification

4. At least once a month the Exchange shall produce a report on market maker activity.

Cessation of activity as market maker

5. When the minimum period, in respect of which a market maker assumed the obligation to act as market maker for a security or a derivative has passed, then the market maker may stop making a market for the security or the derivative, as the case may be, on condition that he so informed the Stock Exchange in advance and in writing at least 21 days before the date on which he will cease to act as market maker for the security.

Payment for failure of a market maker to meet its obligation to submit market making orders as required

5A. A market maker which fails to meet its obligations regarding the submission of market making orders as required under the Rules, Regulations and Board of Director Resolutions, for a given security, in a given month, shall be liable for payment to TASE as set by the Board of Directors.

Revocation of approval to act as market maker

6. A market maker that has had the approval granted it to act as market maker in any security,

following its failure to meet its obligations as a market maker:

a. Shall not be entitled to act a market maker in that security for a period of one year from the day the aforesaid approval was revoked.

b. Shall not receive a new approval to act as a market maker in other securities for a period of 45 days from the day the aforesaid approval was revoked.

The General Manager of the Stock Exchange may also apply the provisions of subparagraphs a. and b. above to a market maker that received approval to discontinue market making activities under paragraphs 2.b., 2.c., and 2.d. above and failed to meet its obligations as a market maker prior to the date the market making was discontinued as determined by the General Manager of the Stock Exchange or a person authorized by him/her.

Publication

7. The Exchange shall publish the information specified below:

a. A list of market makers for each of the securities;

b. A notice that a market maker has begun to operate, specifying the securities in respect of which he acts as market maker;

c. A notice regarding the discontinuation of market making activity by a market maker, including details of the securities in which it ceased acting as market maker;

d. A notice that market making in respect of a certain security was begun by a market maker and a notice that market making in respect of a certain security has ceased;

e. A notice regarding the revocation of an approval to act as a market maker.

f. Additional details to be prescribed by the Board of Directors.

CHAPTER TWELVE A: STATUTORY MARKET MAKING IN ETFs

1. Upon appointing a statutory market maker for an ETF under its management, an ETF manager shall notify the Exchange member through which the market maker will operate. Such notification shall follow the text stipulated in Appendix Six.

   Upon receiving the aforesaid notification, the Exchange member through which it requests to act as a statutory market maker, the member will notify the Exchange according to the text stipulated in Appendix Seven.

2. Should an ETF manager request to replace a statutory market maker with another, notification shall be given as stipulated in paragraph 1 above, at least five trading days prior to the date the change is to take place. Upon receiving the aforesaid notification regarding the replacement of a statutory market maker, the Exchange member shall duly notify the Exchange as stipulated in paragraph 1 above, within one trading day from the day notification is given by the ETF manager.

3. ETF managers shall designate two exchange members, at the most, through which all statutory market makers can act for the ETFs under their management.

4. A market maker shall not be required to submit market making orders to the Exchange, should one of the following situations occur, and this for the period stipulated below:

   a. A technical malfunction occurred resulting in the inability of the market maker to submit orders to the Exchange – for the duration of the malfunction.

   b. Trading in an ETF for which it serves as statutory market maker or in an asset tracked by that ETF was halted or suspended – for the duration of the trading halt, or trading suspension, as applicable.

   c. A market maker for an ETF for which the tracked asset is a share price index – on the day trading was temporarily halted following a fluctuation of 5% or more of the TA-35 index.

   d. Should the Exchange be closed – on the first day trading on the Exchange resumes following the closure.

   e. A market maker in an ETF for which the tracked asset is a share price index – on the trading day following the day trading on the Exchange was halted following a fluctuation of 12% or more of the TA-35 index or of the last theoretical index value of the TA-35 index.

   f. A statutory market maker shall not be required to submit market making orders under the circumstances described in Chapter 12 paragraph 3.g.

5. The findings of the monitoring conducted by the Exchange shall be delivered by it to the Israel Securities Authority and the ETF manager on a monthly basis.

Publication

6. The Exchange shall publish the following information:

   a. Notification as to the identity of a market maker in a new ETF.

   b. Notification as to a change in market maker.

   c. Additional details to be determined by the Board of Directors.

CHAPTER TWELVE B: MARKET MAKING BY MARKET MAKERS APPOINTED BY FOREIGN ETF MANAGERS

1. Should a foreign ETF manager appoint a designated market maker, it will notify the TASE member through which the latter will act as market maker. This notification shall be given according to the text stipulated in Appendix 6.

   Following the receipt of the said notification by the TASE member through which the designated market maker seeks to act, the member will notify TASE of it, according to the text stipulated in Appendix 7.

2. Should a foreign ETF manager request to revoke the appointment of a designated market maker or to replace it with another, the manager shall notify TASE, at least five trading days prior to the date of actual revocation or replacement. Following the receipt of the said notification of the revocation of the appointment or the replacement of the market maker, the TASE member shall notify TASE within one trading day of the day of its being notified by the ETF manager.

3. The findings of the monitoring conducted by TASE regarding the market making activities of a designated market maker shall be delivered by it to the ETF manager on a monthly basis.

4. TASE shall publish the following information:

   a. Notification regarding the identity of a designated market maker in a new foreign ETF.

   b. Notification of the revocation of the appointment or replacement of a designated market maker.

   c. Other information as determined by the TASE board of directors.

CHAPTER THIRTEEN: INSTITUTIONAL SECURITIES

1. **Terms of Institutional Securities**

a. The Regulations under Part Three of the Rules and the provisions of this chapter shall apply to institutional securities and to an entity issuing institutional securities.

b. Wherever “listed for trading” appears, with reference to institutional securities, “trading on the institutional trading system” shall appear instead.

2. **Regulations under the Second Part of the Rules:**

The following provisions of the Regulations under the Second Part of the Rules shall apply to institutional securities mutatis mutandis:

(a) Chapter 11:

(1) paragraph 2. Not including sub-paragraph 2.b.

(2) paragraph 2A.

(3) paragraphs 3.a.1) and 3.a.2). Regarding paragraph 3.a.2)b), the definition “the base price” will be replaced by:

“The base price – the price known on a certain day, as set by the entity or, an alternative price set by the entity. The base price will be indicated as a term of the warrant.”

Should the entity choose to make adjustments to its convertible securities following the distribution of a stock dividend, cash dividend or a rights offering, it will act as stipulated in paragraphs: 3.d., 3.e., 3f., and 3.g.

(4) paragraphs 4.d.2) , 4.d.3), 4.d.3)c)a)2). However, regarding paragraph 4.d.3)c)a)2), the words “for the purpose of interest payments, one of the following alternatives will be set in the terms of the bond” shall be replaced by: “for the purpose of interest payments, on the day of the announcement of early redemption, the entity shall announce according to which of the following alternatives it will act”. Paragraphs d.3c), 4.d.5), 4.d.7), 4.d.7a), 4.d.8), 4.e., 4.f.1., not including sub-paragraph 4.f1.1), - however, wherever the phrase, “a banking corporation or insurer” appears in paragraph 4.f1, the word, “entity” will appear instead.

paragraph 4.g., 4.h. – however, regarding paragraph 4.8.2), the definition of “the base price” will be replaced by:

“the base price – the price known on a certain day, as set by the entity or, an alternative price set by the entity. The base price shall be indicated as a term of the security.”

paragraphs 4.i. and 4.j., will apply, insofar as the entity has chosen to make adjustments to the convertible bonds, following the distribution of a stock dividend, a cash dividend or a right offering.

4.k.

(5) paragraph 5.b., paragraph 5.c., regarding the referral in paragraph 5.c., the paragraphs 2.a.1), 2.a.2), 4.d.3c), r.d.5, 4.d.7, 4.d.7a), 4.d.8), 4.e, 4.f.,shall apply; however, the referral to paragraphs 3.d., 3.e., and 3.f. shall apply only insofar as the entity chooses to make adjustments to its bond warrants following the distribution of a stock dividend, a cash dividend or a rights offering.

(6) paragraph 6.b., however the referral to paragraphs 3.d., 3.e., and 3.f. shall apply only insofar as the entity chooses to make adjustments to its securities convertible to warrants following the distribution of a stock dividend, cash dividend or a rights offering, and paragraph 6.c.

(7) paragraph 7.b., however the referral to paragraphs 3.d., 3.e., and 3.f. shall apply only insofar as the entity chooses to make adjustments to their convertible securities following the distribution of a stock dividend, a cash dividend or a rights offering.

(8) paragraphs 8,9 and 10.

(b) (1) Chapter 12: the definitions of “variable interest”, “fixed interest” and “unequal redemption”.

(2) paragraphs 1.d, 1.e.2), 1.e.3), 1.e.3a)2); however regarding this subparagraph, instead of the words: “for the purpose of interest payments, the terms of the bond shall opt for one of the following alternatives” the following will appear: “for the purpose of interest payments, the entity shall announce on the day an early redemption is announced, according to which of the following alternatives it will act.”

paragraphs 1.e.3a)3),e.3b)c), 1.e.3b)d), 1.e.7), 1.e.8), 1.f., 1.g., 1.h., 1.i., 1.k.,

paragraphs 1.l, 1.m., 1.n, excluding subparagraph 1.n.1). However, wherever the phrase,” banking institution or insurer” appears in paragraph 1.n., the word, “entity” shall appear instead.

(3) paragraph 2., excluding subparagraph 2.d.

(4) paragraph 3.

(c) Chapter 19:

paragraphs 1., 2. And 3.

(d) Chapter 21

(1) paragraph 1, excluding the definition of “distressed member”.

(2) paragraphs 2.,3.,6.,8.,9.

(e) Chapter 22:

(1) paragraphs 1.,2.,3.,6.; for the purpose of this chapter, the phrase “Tel Aviv Stock Exchange” will be replaced by “the institutional trading system”.

(f) in Chapter 23:

(1) Only entities not listed for trading on TASE under the Second Part of the Rules, are permitted to issue preferred stock on the institutional trading system.

(2) paragraph 6., however for the purpose of this provision, the words “the terms of the preferred stock specify that either a compulsory redemption or voluntary redemption is permissible, as aforesaid, all the conditions in detail shall be stipulated in the terms of the preferred stock” shall be replaced by “an entity requesting to carry out either a compulsory or voluntary redemption shall comply with the following criteria:”

(3) paragraph 6.b., however for the purpose of this subparagraph, the words “the payment of proceeds from the redemption can be either in cash or in the company’s ordinary shares” shall be replaced by “the payment of proceeds from the redemption shall be in cash”.

paragraph 6.c., however in this subparagraph, the words: “the first day possible for compulsory redemption and the first day possible for voluntary redemption; additional possible dates for voluntary redemption” shall be deleted.

paragraph 6.d.; however in this subparagraph, the words:“the possible frequency of redemptions and the minimum amount of each early redemption or a portion of it, should such exist” shall be deleted.

paragraphs 6.e.,6.f.,6.g., and 6.i.

(4) paragraphs 7.,7.a.; however in this subparagraph, the words: “conversion ratios set as stipulated in this subparagraph, are permanent, and can only be altered according to the provisions stipulated in the Rules for the alteration of the conversion ratios of convertible securities” shall be deleted.

paragraphs 7.b.,7.d.; however in this subparagraph, the words: “the first day possible for a compulsory conversion, and the first day possible for a voluntary conversion, and additional possible days for voluntary conversion” shall be deleted.

paragraphs 7.e., 7.f., 7.g., 7.i.

3. **Application Procedures for Listing Securities on the Institutional Trading System, Vetting Listing, and Annual Fees**

a. An application to list securities on the institutional trading system shall be submitted by way of a form prescribed by TASE. This application shall be filled and signed by the entity.

An annex is to be attached to the application, which shall include a description of the offered securities and a draft deed of trust, insofar as such a deed exists, or the details required on a deed of trust, as stipulated in the Securities (Details, Structure and Form of Prospectus and Draft Prospectus) Regulations-1969.

b. In the aforesaid application annex, any addition, deletion or change relative to other annexes approved by TASE that were published by the entity shall be marked. If the entity did not publish any such annexes in the year preceding the date the application was submitted, the annex will be marked as stipulated above according to the annex of a another entity that was published on the date closest to the date the application was submitted and approved by TASE.

c. Confirmation by an attorney at law affirming that the signatories to the application and its annexes are authorized to sign on behalf of the entity and that their signatures, in conjunction with the entity's stamp, is binding on the entity for any obligation specified in the application and its annexes shall be provided.

d. Details pertaining to the entity according to a form prescribed by TASE shall be provided.

e. A letter of obligation to the TASE Clearing House, according to the wording prescribed by the TASE Clearing House shall be attached to the application.

f. The schedule for submitting the application is as follows:

1) An application by an entity to approve the listing of a new security on the institutional trading system shall be submitted at least 10 trading days prior to the date that the entity seeks to receive the approval.

2) An application by an entity to approve the extension of an existing series of securities shall be submitted to TASE at least 3 trading days prior to the date that the entity seeks to receive the approval

g. Vetting fees:

1) Upon submission of an aforesaid listing application, the entity shall remit vetting fees of NIS 10,813 (12,651 VAT included).

2) Upon submission of an application to change the terms of either bonds or convertible bonds, the entity shall remit the amounts set in paragraph 3.e. of Chapter 21 of the Regulations under the Second Part of the Rules.

h. Listing fees:

1) for each security, excluding corporate paper – 0.01% of the value of security listed for trading, but no less than NIS 4,289 (5,018 VAT included).

2) for each corporate paper – 0.001% of the value of the corporate paper listed for trading.

In this regulation, the value of a security listed for trading shall be as follows:

shares and participation units – the product of the number of securities multiplied by the effective price set at placement;

"the effective price of a share or participation unit":

– when only shares or participation units are placed, the price indicated in the placement proposal.

– when shares or participation units are placed as part of an offering unit that includes other securities as well – the price of that unit , as indicated in the placement proposal less the value of the warrants or the call option included in the unit, as stipulated in the formula for calculation appearing in Appendix A of the Regulations under the Second Part of the Rules. With respect to the said formula, the standard deviation shall be estimated as would that of a new company (a company undertaking an initial public offering (IPO)).;

warrants or call options – the product of the number of securities multiplied by the striking price set in the terms of the security;

bonds or convertible bonds – the product of the number of securities multiplied by the price set in the placement or the face value, the higher of the two;

commercial paper – the product of the amount of commercial paper multiplied by their face value.

i. Listing An annual fee of NIS 7,961 (9,314 VAT included), for each series of institutional bonds, for each institutional share. In the calendar year in which a security is listed and the calendar year in which there is a final redemption or in which the security is delisted from the institutional trading system, the annual fee shall be prorated for the period in which the security is listed.

j. Paragraph 6.i of Chapter Thirteen of the Regulations under the Second Part of the Rules shall apply.

k. Paragraph 7 of Chapter Thirteen of the Regulations under the Second Part of the Rules shall apply.

l. The sums stipulated above shall be linked to the index and will be updated annually, on 1 January (hereinafter: “the update date”), by the rate of increase of the reference index against the base index, unless specifically prescribed otherwise.

The above shall apply on payments added in the course of the year, subsequent to the previous update date.

Should the reference index be lower than or equal to the base CPI index, for the purpose of the update the reference index shall be considered as being equal to base index.

For the purpose of this provision –

“index” means – the consumer price index (CPI) published by Israel’s Central Bureau of Statistics or another index which replaces it, rounded to two decimal places.

“base index” means – the last known index on the date of the previous update date.

“reference index” means – the last known index on the update date.

The amounts received from the said update calculation, shall be rounded to the nearest shekel.

The sums stipulated in this provision do not include V.A.T., and accordingly, for each payment under this provision the legally mandated V.A.T. shall be added. The amount resulting from the addition of V.A.T. shall be rounded to the nearest shekel.

CHAPTER FOURTEEN: LIQUIDITY INCENTIVE PROGRAMS

1. **Definitions**

In this chapter –

“Incentive Progarm” –	A program designed to increase the liquidity of securities, which includes remuneration for participants in it, in exchange for their contribution to increasing liquidity in the participating securities.
“Participating Security” –	A security, to which the Board of Directors has determined that the incentive program shall apply.
“Participant” –	A person or corporation approved by the Exchange to participate in the incentive program.

2. **Program Terms**

a. The Board of Directors may establish various incentive programs for various participants and set rules governing the operation of said programs.

Among other things, the Board of Directors may determine the following:

1) The participating securities.

2) The criteria that must be met by a party applying to be a participant in the incentive program.

3) Ways to join the program.

4) The conditions under which participants will be entitled to remuneration.

5) The minimum or maximum number of participants in an incentive program.

b. Duration of the Program

1) The Board of Directors will set the duration of the incentive program, which it may extend from time to time or discontinue at any time.

The Board of Directors may set threshold criteria to operate an incentive program and conditions which if met warrant the discontinuation of the program.

2) The Board of Directors may authorize the General Manager of the Stock Exchange or the Trading Manager to set the date the incentive program starts as well as other parameters of the program, according to his/her discretion.

c. Participant Remuneration

The Board of Directors shall set the manner of remunerating participants in the incentive program and may differentiate the remuneration set for various participants.