TASE Trading Guide

BASE PRICE APPENDIX

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BASE PRICE APPENDIX

The provisions of this appendix shall not apply to institutional securities.

1. **Shares**

    a. 1) The base price for trading a share "ex-dividend" shall be the closing price of the share on the trading day preceding the ex-date, less the dividend amount to which a shareholder that is an tax exempt mutual fund is entitled, as its meaning in Section 88 of the Income Tax Ordinance, in *agorot* per share.

    2) The base price for trading a share "*ex*-dividend in kind", when the share that is distributed as a dividend in kind trades on any exchange, shall be calculated as follows:

    $$P_{EX} = P_{COM} - N \ x \ \bar{P}_S \ x \ (1 - M),$$

    Where:

Terms		Definitions
P_{EX}	-	the base *ex*-dividend in kind price of the shares of the company paying the dividend in kind.
P_{COM}	-	the closing price of the shares of the company distributing the dividend in kind on the trading day preceding the *ex*-date.
$\bar{P}_S$	-	the closing price of the shares distributed in kind, on the trading day preceding the *ex*-date. Should the shares distributed in kind trade on a foreign securities exchange as defined in the Exchange Rules (Second Part) – the last price set for the share on the foreign stock exchange, multiplied by the known Representative Rate, in *agorot*, of the currency of trade on the foreign stock exchange.
N	-	the number of shares distributed in kind for each share of the distributing company.
M	-	the tax rate applied for this event on an tax exempt mutual fund.

    "Dividend in kind" for the purposes of this section – dividend payments carried out by way of the distribution of shares traded on the Exchange or on a foreign stock exchange, as defined in the Exchange Rules (Second Part).

    b. The base price for trading a share "ex-bonus shares" shall be calculated as follows:

    1) When bonus shares of the same kind as the recipient share are distributed:

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$$\overline{P}_s = \frac{P_{sc}}{1 + BR}$$

Where:

$\overline{P}_s$ –   the base price for trading shares "Ex-bonus" shares;

P_{sc} –   the closing price of the share on the trading day before

the ex-date;

BR –   the bonus ratio (as a decimal fraction).

2)   When preferred stock is distributed as bonus shares to holders of an inferior voting share, then the "Ex" value of the preferred share shall be calculated as the difference between the closing-price of the inferior share on the trading day preceding the ex-date, less the "ex" value of the preferred share, and it shall be calculated thus:

$$EX = P_{sc} - \overline{P}_s$$

The base price for trading a inferior share "ex-bonus shares" shall be the closing-price of the inferior share on the trading day before the ex-date, less the "ex" value of the preferred share, multiplied by the ratio between the nominal value of the inferior share to the nominal value of the preferred share, and it shall be calculated thus:

$$\overline{P}_n = P_n - (N \times EX)$$

Where:

$\overline{P}_n =$ the base price for trading "ex bonus" of the

inferior shares;

$P_n =$ the closing price of the inferior share on the trading day

before the ex-date;

$N =$ the ratio between the nominal value of the inferior share to the nominal value of the preferred share.

c.   The base price for trading a share, when the "ex-dividend" day coincides with the "ex-bonus shares" day, shall be as follows:

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1) The base price for trading the share "ex-dividend" shall be calculated, as specified in section A. above.

2) Thereafter, the base price for trading the share "ex-bonus shares" shall be calculated as specified in section B. above, taking the base price for trading the share "ex-dividend", calculated as said in subsection C.1) above as the price of the share (P_{sc}).

2. **Bonds**

a. The base price for trading a bond or commercial paper "ex-interest" shall be calculated as follows:

$$P_{EX} = P_{COM} - EX$$

Where:

Terms		Definitions
P_{EX}	-	Base price for trading "ex-interest" in debt obligation;
P_{COM}	-	Closing price of the debt obligation on the trading day preceding the ex date;
EX	-	"Ex" value

The "ex" value shall be calculated as follows:

1) For a non-linked bond and for commercial paper, the "Ex" value shall be the

before tax interest rate payable under the terms of the bond or of the commercial paper.

2) For a bond linked to the Consumer Price Index, to a foreign currency or to a currency basket:

$$EX = \frac{I_1}{I_o} \times R$$

Where:

EX = the "ex" value;

I_1 = the reference Consumer Price Index value, the reference exchange rate or the reference price of the currency basket, as applicable;

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I_o = the base Consumer Price Index value, the base exchange rate or the base price of the currency basket, as applicable;

R = the before-tax interest rate payable under the conditions of the bond;

3) For a bond with alternative linkages, the "ex-value" shall be the highest of the various "ex values" that were calculated for the t various possible linkages.

4) For a payment-in-kind bond which pays interest in company shares, the "ex value" shall be:

$$EX = N \times \overline{P_s}$$

Where:

Terms		Definitions
EX	-	"Ex" value;
$\overline{P_s}$	-	closing price of the company's shares on the trading day preceding the ex date;
N	-	the number of the company's shares received as the interest payment, for each 1 face value

b. The base trading price of bonds included in the Tel-Bond Index, "ex-interest and partial redemption", shall be calculated as follows:

1) For an unlinked bond:

$$Pex = \frac{Pcom - R - 100 \times pr}{1 - pr}$$

Where:

Pex = the base price of the bonds for trading "ex-interest and partial redemption".

Pcom = the closing price of the bonds on the trading day before the Ex date.

R = the gross interest in agorot, prescribed for the payment according to the conditions of the bonds.

pr = the rate of partial redemption (as a decimal fraction).

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2) For a bond linked to the Consumer Price Index, to a foreign currency or to a currency basket:

$$Pex = \frac{Pcom - R \times \frac{I_1}{I_0} - 100 \times pr \times \frac{I_1}{I_0}}{1 - pr}$$

Where:

Pex = the base price of the bonds for trading "ex-interest and partial redemption".

Pcom = the closing price of the bonds on the trading day before the ex date.

R = the gross interest in agorot, prescribed for the payment according to the conditions of the bonds.

Pr = the rate of partial redemption (as a decimal fraction).

I_1 = the determining Consumer Price Index, the determining exchange rate or the determining price of the currency basket, as the case may be;

I_o = the base Consumer Price Index value, the basic exchange rate or the base price of the currency basket, as the case may be;

3) For a bond with alternative linkages, the "ex value" shall be the highest of the different "ex values" that were calculated according to the various possible linkages.

4) For a payment-in-kind bond paying interest and a partial redemption in company shares:

$$P_{ex} = \frac{P_{COM} - N_r \times \overline{P}_s - N_{pr} \times P_s}{1 - pr}$$

Where:

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Terms		Definitions
P_{ex}	-	base trading price "ex-interest and partial redemption" of the bond;
P_{COM}	-	closing price of the bond on the trading day preceding the ex date;
$\overline{P}_s$	-	closing price of the company's shares on the trading day preceding the ex date;
N	-	the number of the company's shares received as the interest payment, for each 1 face value;
N_{pr}	-	the number of the company's shares received for the partial redemption, for each 1 face value
pr	-	the percentage (expressed as decimal) of the partial redemption

c. The base trading price of bonds included in the Tel-Bond Index, of a company that executive early partial redemption and paying interest only for the portion of the redeemed, "ex-interest and partial redemption", shall be calculated as follows:

1) For an unlinked bonds:

$$Pex = \frac{Pcom - Y \times pr}{1 - pr}$$

Where:

Pex = the base price of the bonds for trading "ex-interest and partial redemption".

Pcom = the closing price of the bonds on the trading day before the ex date.

Y = Payment of the partial redemption of the principal together with the interest on the portion redeemed, in agorot per trading unit.

Pr = the rate of partial redemption (as a decimal fraction).

2) For a bond linked to the Consumer Price Index, to a foreign currency or to a currency basket:

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$$Pex = \frac{Pcom - Y \times pr \times \frac{I_1}{I_0}}{1 - pr}$$

Where:

Pex = the base price of the bonds for trading "ex-interest and partial redemption".

Pcom = the closing price of the bond on the trading day before the Ex-date.

Y = Payment of the partial redemption of the capital together with the interest on the portion the redeemed, in agorot per trading unit.

Pr = the rate of partial redemption (as a decimal fraction).

I_1 = the reference Consumer Price Index, the reference exchange rate or the reference price of the currency basket, as the case may be;

I_o = the base Consumer Price Index value, the base exchange rate or the base price of the currency basket, as the case may be;

3) For a bond with alternative linkages, the " ex value" shall be the highest of the different "ex values" that were calculated according to the different possible linkages.

4) For a payment-in-kind bond paying interest and a partial redemption in company shares:

$$P_{ex} = \frac{P_{COM} - N_r \times \overline{P}_s \times pr}{1 - pr}$$

Where:

Terms	Definitions
P_{ex}	base trading price "ex-interest and partial redemption" of the bond;
P_{COM}	closing price of the bond on the trading day preceding the ex date;
pr	the percentage (expressed as decimal) of the partial redemption
$\overline{P}_s$	closing price of the company's shares on the trading day preceding the ex date;

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Terms	Definitions
N	the number of the company's shares received for the partial redemption of principal and interest payment on the redeemed portion, for each 1 face value;

d. The base trading price of bonds included in the Tel-Bond Index, of a company that executive early partial redemption and paying interest for all bonds and an extra interest only for the redeemed portion, "ex-interest and partial redemption", shall be calculated as follows:

1) For an unlinked bonds:

$$Pex = \frac{Pcom - Y \times pr - R}{1 - pr}$$

Where:

Pex = the base price of the bonds for trading "ex-interest and partial redemption".

Pcom = the closing price of the bonds on the trading day before the Ex-date.

Y = Payment of the partial redemption of the capital together with the interest part of the redeemed, in agorot per trading unit.

Pr = the rate of partial redemption (as a decimal fraction).

R = the gross interest rate payable under the conditions of the bond.

2) For a bond linked to the Consumer Price Index, to a foreign currency or to a currency basket:

$$Pex = \frac{Pcom - Y \times pr \times \frac{I_1}{I_0} - R \times \frac{I_1}{I_0}}{1 - pr}$$

Where:

Pex = the base price of the bonds for trading "ex-interest and partial redemption".

Pcom = the closing price of the bonds on the trading day before the Ex-date.

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Y =   Payment of the partial redemption of the capital together with the interest part of the redeemed, in agorot per trading unit.

Pr =   the rate of partial redemption (as a decimal fraction).

R =   the gross interest rate payable under the conditions of the bond.

I_1 =   the determining Consumer Price Index, the determining exchange rate or the determining price of the currency basket, as the case may be.

I_0 =   the basic Consumer Price Index, the basic exchange rate or the base price of the currency basket, as the case may be.

3)   For a bond with alternative linkages, the "Ex value" shall be the highest of the different "Ex values" that were calculated according to the different possible linkages.

4)   For a bond paying interest and partial redemption:

$$P_{ex} = \frac{P_{COM} - N \times \overline{P}_s \times pr - N_r \times \overline{P}_s}{1 - pr}$$

Terms		Definitions
P_{ex}	-	base trading price "ex-interest and ex-partial redemption" of the bond;
P_{COM}	-	closing price of the bond on the trading day preceding ex date;
pr	-	the percentage (expressed as decimal) of the partial redemption
$\overline{P}_s$	-	closing price of the company's shares on the trading day preceding the ex date;
N	-	the number of the company's shares received for the partial redemption of principal and the interest on the redeemed portion, for each 1 face value
N_{pr}	-	the number of the company's shares received as the interest payment on the entire principal of the bond, for each 1 face value

3. **"Ex-rights"**

a. The base price for trading a preferred share "*ex*-rights", when issued as rights solely for a preferred share or solely for a warrant heretofore not traded on the Exchange or for a preferred share and a warrant heretofore not traded on the Exchange, shall be calculated as follows:

$$\overline{P}_s = Min\left[\frac{(P_s \times S) + Y - \Sigma(P_{oi} \times O_i)}{\overline{S} + S}, P_s\right]$$

Where:

$\overline{P}_s$ = the base price for trading the share "*ex*-rights";

P_s = the closing price of the share on the trading day before the ex-date;

S = the number of shares that entitles to one rights unit;

Y = the price of one rights unit (in *agorot*);

P_{oi} = the price of an option of category i, calculated according to the Black and Scholes formula;

O_i = the number of options of category i included in one rights unit;

$\overline{S}$ = the number of shares included in one rights unit.

b. The base price for trading a share listed for trading "*ex*-rights" and of a warrant traded on the Exchange, each of which imparts rights solely for a share or solely for a warrant not traded heretofore or for a share and a warrant not traded heretofore on the Exchange, shall be calculated as follows:

1) For a share – it shall be calculated as specified in section A. above;

2) For an option traded on the Exchange it shall be calculated as follows:

$$\overline{P}_{oi} = P_{oi} - (EX \times M)$$

Where:

$\overline{P}_{oi}$ = the base price for trading "Ex rights" an option of category i, which is traded on the Exchange and gives the right to a share or to a share and option of a kind never before traded on the Exchange;

P_{oi} = the closing price of an option of kind **i** on the trading day before the ex-date;

EX = the "Ex" value of the share;

M = the realization ratio.

c. When a rights package that is issued as said in sections A. and B. above, also includes a bond, a convertible bond or an option bond (hereafter: bond), then its value according to the Prospectus shall be subtracted from the price of the rights unit (Y), for purposes of the calculation of the basic "Ex rights" prices of the option and of the share.

However, when the bond is of a kind traded on the Exchange, then the price of the rights unit (Y) shall be – for purposes of the calculations specified in sections A. and B. above – the price of the rights unit, less the base price of the bond on the "Ex" date, multiplied by the number of bonds, as specified above.

d. The base price for trading an inferior share "Ex rights" shall be calculated as follows:

$$\overline{P}_{sn} = P_{sn} - (EX \times N)$$

Where:

$\overline{P}_{sn}$ = the base price for trading an inferior share "Ex rights";

P_{sn} = the closing price of the inferior share on the trading day

before the ex-date;

EX = the "Ex value" of the preferred share $EX = P_s - \overline{P}_s$.

P_s = the closing price of the preferred share on the trading day

before the ex-date;

$\overline{P}_s$ = the "Ex price" of the preferred share;

N = the ratio of the nominal value of the inferior share to the nominal value of the preferred share.

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e. The base price for trading "Ex rights" of an option traded on the Exchange for an inferior share shall be calculated as follows:

$$\overline{P}_{oin} = P_{oin} - (EX_n \times M)$$

Where:

$$EX_n = P_{sn} - \overline{P}_{sn}$$

and:

$\overline{P}_{oin}$ = the base price for trading "Ex rights" an option of

category i that is traded on the Exchange and gives

a right to inferior shares;

P_{oin} = the closing price of an option of category i for an

inferior share on the trading day before the ex-date

EX_n = the "EX" value of the inferior share;

P_{sn} = the closing price of the inferior share on the

trading day before the ex-date;

$\overline{P}_{sn}$ = the "Ex" price of the inferior share;

M = the realization ratio.

f. The base price for trading "Ex rights" of a convertible bond that is entitled to rights, shall be calculated as follows:

$$\overline{P}_{bl} = \left(P_{bl} - \frac{EX}{N} \right)$$

Where:

$\overline{P}_{bl}$ = the base price for trading "Ex rights" a convertible bond;

$$P_{bl} \qquad = \qquad \text{the closing price of the convertible bond on the trading day before the ex-date;}$$

$$\mathbf{EX} \qquad = \qquad \text{the "Ex" value of the preferred share } \mathbf{EX} = \mathbf{P}_s - \overline{\mathbf{P}}_s\,;$$

$$\mathbf{N} \qquad = \qquad \text{the conversion ratio.}$$

g. Wherever the price of a rights unit (Y) in a rights issue linked to the Consumer Price Index, to an exchange rate or to a currency basket, is stated in this Chapter for the calculation of a base price, the adjusted price shall be as here specified:

$$Y \times \frac{M_1}{M_o}$$

Where:

Y $\qquad = \qquad$ the price of the rights unit in the prospectus;

M_1 $\qquad = \qquad$ the known Consumer Price Index, the known exchange rate or the known currency basket price at the end of the day that is the determining day for linkage purposes;

M_o $\qquad = \qquad$ the basic index, the basic exchange rate or the basic currency basket price, as prescribed in the prospectus.

h. The base price for trading "Ex rights" of a share traded on the Exchange and of an option traded on the Exchange, each of which gives a right to the same share and the same option or to that option alone, and which are issued by way of rights, shall be calculated as follows:

1) For a share it shall calculated as follows:

$$\overline{P}_s = Min\left[\frac{(S \times P_s) + Y - \sum_i \left(\overline{O}_j \times \overline{P}_{oj}\right)}{S + \overline{S}}, P_s\right]$$

2) For an option it shall calculated as follows:

$$\overline{P}_{oj} = Min\left[\frac{\left(P_{oj} \times O_j\right) + Y - \left(\overline{P} \times \overline{S}\right) - \sum_{i \neq j}\left(\overline{O}_i \times \overline{P}_{oi}\right)}{O_j + \overline{O}_j}, P_{oj}\right]$$

Where:

$\overline{P}_s$ = the base price for trading the share "Ex rights";

S = the number of shares that entitle to one rights unit;

P_s = the closing price of the share on the trading day

before the ex-date.

$\overline{P}_{oj}$ = the base price for trading a category j option "Ex rights";

P_{oj} = the closing price of a category j option on the trading day before the ex-date;

O_j = the number of category j options that entitle to a rights unit;

$\overline{O}_j$ = the number of category j options included in one rights unit;

$\overline{S}$ = the number of shares included in one rights unit;

Y = the price of a rights unit (in agorot);

$\overline{P}_{oi}$ = the base price for trading a category i option "Ex rights";

$\overline{O}_i$ = the number of category i options that entitle to a rights unit.

4. **Spinoffs**

   a. For the purposes of this section –

   "Spin-off " – within its meaning in section 91.D. of the Rules;

   "Parent company" – a listed company in which a a spinoff was carried out;

   "New spin-off company that was split" – a new company spun off from a parent company.

   b. The base price of a share of a new spinoff company– including cases in which, in conjunction with the spinoff, a public offering of the shares of the new spinoff company is carried out and trading in these shares commences after the offering – shall be the closing price of the parent company's shares on the trading day before the ex-date multiplied by the ratio of the equity capital of the new spinoff company to the equity capital of the parent company.

Notwithstanding that stated above, should a company request to set an effective price for the shares in the manner stipulated in Section 2.c.3) c) of the Regulations under the Second Part of the Exchange Rules, the base price for these shares shall be the effective price set as aforementioned.

c. The base price for trading, ex-spinoff, the shares of a company, which carries out a spinoff by way of reducing the number of issued shares, shall be its closing price on the on the trading day preceding the ex-date.

d. The base price for trading *ex*-spinoff the shares of a company that executes a spinoff by way of distributing the shares of the new spin-off company– other than by reducing the number of issued shares – to shareholders of the parent company without additional monetary consideration shall be calculated as follows:

$$P_{EX} = P_{COM} - N \; x \; \overline{P}_S$$

Where:

P_{EX} = the base price for trading the shares of the splitting company, Ex splitting process;

P_{COM} = the closing price of the shares of the splitting company on the on the trading day before the ex-date;

$\overline{P}_S$ = The base price of the share of new company that was split as said in subsection b, however, if the share of the new company that was spun off is traded on the Exchange – the closing price of the spun off share on the on the trading day before the ex-date;

N = The number of shares of the new company that was spun off, which is obtained for one share of the splitting company;

e. The base price for trading *ex*-spinoff of a share of a company that executes a spinoff by way of distributing the shares of the new spinoff company to shareholders of the parent company which includes additional monetary consideration by them, shall be calculated as follows:

$$P_{EX} = P_{COM} - N \; x(\overline{P}_S - K \,)$$

Where:

P_{EX} = the base price for trading Ex splitting process of shares of the splitting company;

$$P_{COM} = \text{the closing price of the splitting company on the on the trading day before the ex-date;}$$

$$\overline{P}_{S} = \text{The base price of the share of new company that was split as said in subsection b;}$$

$$N = \text{the number of shares of the new company that was spun off, which is obtained for one share of the splitting company;}$$

$$K = \text{the consideration (in agorot) for one share of the new company that was spun off.}$$

5. **Merger process**

   a. For the purposes of this section –

       "Merger process"   –   within its meaning in section 91.D. of Part Two of the Rules;

       "Merged company" –   a traded company or a new company listed for trading, to which shares or assets and liabilities of the merging companies were transferred in the course of the merger process;

       "Merging company"–   a traded company, all the shares or all the assets and liabilities of which were transferred to merged company in the course of a merger process;

       "Switching securities" –an allocation of security of a merged company that all its features and all the allocated quantity are identical to those of the security of the merging company, which will delete from the trading right after the merger process.

   b. The base price of the share of a new listed merged company shall be the market value, on the last trading day immediately before the merger process, of the shares of the merging companies for which shares of the merged company are allocated, divided by the number of shares of the merged company allocated to holders of shares of the merging companies.

6. **Special Cases**

   a. In the event a case for which no rules have be set occurs, the Trading Manager shall determine the manner of conduct, taking into consideration the principles set in this Appendix.

   b.   In the event a case for which rules have been set occurs, but the General Manager of the Exchange assesses that a deviation from the said rules is

warranted, the General Manager of the Exchange shall determine the manner of conduct under the circumstances of the case, taking into consideration the principles set in this Appendix.

Should the General Manager of the Exchange make such a decision, his decision and the rationale behind it shall be reported to the Board of Directors.