

TASE MAOF Guide

Seventh Part of the Rules

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Registering Derivatives for Trading

1. Definitions

The terms in this Part shall have the same meaning that they have in their definitions in the Securities Law 5728-1968 (hereafter: "the Securities Law"), in these Rules and in the Regulations there under, unless a different meaning is explicitly stated.

In this Part -

Terms	Definitions
"Option"	<ul style="list-style-type: none"> - a call option or a put option;
"Purchase option" or "Call option"	<ul style="list-style-type: none"> - A security as its meaning in Section 52 of the Securities Law, issued under this profile, for which the MAOF Clearing House undertakes a commitment to a MAOF Clearing House member and a MAOF Clearing House member undertakes a commitment to the MAOF Clearing House to pay one of the following, as applicable: <ul style="list-style-type: none"> - Immediately following the completion of a transaction – the premium; - Immediately following the execution date, the difference between the reference price and the exercise price multiplied by the contract multiplier, if the reference price is greater than the exercise price.
"Sell option" or "Put option"	<ul style="list-style-type: none"> - A security as its meaning in Section 52 of the Securities Law, issued under this profile, for which the MAOF Clearing House undertakes a commitment to a MAOF Clearing House member and a MAOF Clearing House member undertakes a commitment to the MAOF Clearing House to pay one of the following, as applicable: <ul style="list-style-type: none"> - Immediately following the completion of a transaction – the premium; - Immediately following the execution date, the difference between the exercise price and the reference price multiplied by the contract multiplier, if the exercise price is greater than the reference price.

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Terms	Definitions
"Member that creates an option"	- A member to which an option registered in the MAOF Clearing House is charged, that has undertaken a commitment, as set by the terms of the option;
"Member that holds an option"	- a Maof Clearing House member to whose credit an option is registered with the Maof Clearing House;
"Future"	<p>- a security within its meaning in section 52 of the Securities Law, according to which the Maof Clearing House assumes an obligation toward a Maof Clearing House member in accordance with a profile, to pay at the end of each trading day and on the expiration date,</p> <p>and according to which a Maof Clearing House member assumes an obligation toward the Maof Clearing House to pay to it at the end of each trading day and on the expiration date one of the following, as the case may be:</p> <ul style="list-style-type: none"> a) the amount of the differential between the closing price and the transaction price, if the closing price is greater than the transaction price; in futures, in which a fluctuation multiplier is defined, the amount of the said differential shall be multiplied by 100 times the fluctuation multiplier; b) the amount of the differential between the closing price and the closing price on the preceding trading day, if the closing price is greater than the closing price on the preceding trading day; in futures, in which a fluctuation multiplier is defined, the amount of the said differential shall be multiplied by 100 times the fluctuation multiplier; c) the amount of the differential between the closing price on the preceding trading day and the closing price, if the closing price on the preceding trading day is greater than the closing price; in futures, in which a fluctuation multiplier is defined, the amount

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Terms	Definitions
	of the said differential shall be multiplied by 100 times the fluctuation multiplier;
"Trading day"	- a day on which trading is carried on at the Stock Exchange;
"Business day"	- a day on which clearing is carried out at the Bank of Israel;
"Consumer price index"	- the price index known as the "consumer price index", which includes vegetables and fruit and is published by the Central Bureau of Statistics, and it includes that index even if it is published by another official body or institution instead of the Central Bureau of Statistics, and it also includes any official index that will replace it, whether or not it is based on the same data on which the present index is based; if it is replaced by another index published by an aforesaid body or institution and that body or institution does not determine the relationship between it and the replaced index, then the relationship shall be determined by the Central Bureau of Statistics; if that relationship is not determined as aforesaid, then the relationship between the other index and the replaced index shall be determined in consultation with economic experts who will be chosen by the Board of Directors;
"Equity index"	- an index that relates to a share basket and is published by the Stock Exchange and the Central Bureau of Statistics;
"Exercise equity index" or "Expiration equity index"	- a equity index calculated on the last trading day before the exercise date or the expiration date, as the case may be, according to the opening prices of the shares included in it; however, if on the day that was supposed to be the last trading day of a series of options or of a series of futures trading on the Stock Exchange did not take place with all the shares included in the equity index, then the determining index that will be determined on the next trading day after the day that was supposed to be the last trading day of the series of options or of the series of

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Terms**Definitions**

- futures, as the case may be, shall be the exercise equity index or the expiration equity index;
for the purposes of this section -
- "last trading day of a series of options and of a series of futures" - the day before the day on which the exercise equity index or the expiration equity index,
- "Closing equity index price"** - an equity index calculated at the end of each trading day according to the closing prices of the shares included in it, unless there is a different provision in the Regulations.
- "Exercise price"** - the price set in the option for the underlying asset;
- "Transaction price"**
- a. in respect of futures on share indices and futures on foreign currency exchange rates - the new shekel price of the underlying asset, multiplied by the underlying asset multiplier, as determined between buyer and seller when a transaction with the future was carried out;
 - b. in respect of futures on three month interest rates - one hundred, less the three month interest rate multiplied by one hundred, as determined between buyer and seller when a transaction with the future was carried out; the said price shall be determined to a precision of two decimal places;
 - c. in respect of futures on the consumer price index - the new shekel price of the underlying asset, as determined between buyer and seller when a transaction with the future was carried out;
- "Settlement price"** - as defined in regulations based on the seventh section of the rules;
- "Profile"** - a document drawn up by the Maof Clearing House in respect of each category of underlying assets, which reflects the rights and obligations inherent in the derivative;

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Terms	Definitions
"Underlying asset multiplier"	- the number of times the underlying asset is included in the derivative, as prescribed in the Regulations;
"Maof Clearing House"	- the Maof Clearing House Ltd., its number in the Companies Register being 51-112258-1; "number of days to the maturity of a short term loan series" - the number of days from the clearing date of the trading day on which the said number of days was calculated until (and including) the day before the maturity of the series;
"Future fluctuation multiplier"	- a new shekel amount determined in the profile;
"Short term loan"	- bonds issued by the State of Israel under the Short Term Loan Law 5744-1984;
"Derivatives"	- options and futures that are cleared by the Maof Clearing House;
"Underlying asset"	- the price of a security, a securities basket index, an exchange rate, an interest rate, a price index or some other asset which will be determined in the Regulations;
"Series of options"	- options with the same exercise date;
"Series of futures"	- futures with the same expiration date;
"Positive differential per option"	- in respect of a call option – the amount found by multiplying the underlying asset multiplier by the differential between the closing price and the exercise price; in respect of a put option – the amount found by multiplying the underlying asset multiplier by the differential between the exercise price and the closing price;
"Securities basket" or "basket"	- a group of securities traded on the Stock Exchange, for which the Stock Exchange calculates and publishes an index;

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Terms	Definitions
"Annual yield of a short term loan series"	- the differential between one hundred and the price of the short term loan series on the Stock Exchange, that differential being divided by the price of the short term loan series, multiplied by 365 and divided by the number of days to the maturity of the short term loan series;
"Three month interest rate"	- the annual yield of the short term loan series, which - on the day of the calculation - has the maturity period that is closest to three months;
"Foreign currency exchange rate"	- the representative exchange rate of a foreign currency set by the Bank of Israel; however, during a period in which the Bank of Israel does not set representative exchange rates, the exchange rate last set by the Minister of Finance together with the Governor of the Bank of Israel for Government bonds that are linked to the foreign currency exchange rate;
"Closing price"	- as defined in Part Three of the By-laws.
"Exercise date"	- the date prescribed in the profile for the exercise of the option;
"Expiration date"	- the date prescribed in the profile for the expiration of the future;
" Non-linked government bonds"	- Fixed-rate non-linked Israel government bond
"Period of a series" -	- as defined in the profile

2. General

- a. A Stock Exchange member will present the profile for inspection by a client, who desires to carry out a transaction in options or futures for the first time, have the client sign that the profile was made available to him for study, and give the client - at his request - a copy of the profile.
- b. The profile is liable to change in the course of time, by virtue of changes made under decisions by the Board of Directors of the Stock Exchange and the Board of

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Directors of the Maof Clearing House, as the case may be; aforesaid changes will be brought to the public's attention in the following ways:

- 1) a notice, that the profile was amended and that the full text of the amendment may be read at the Library of the Stock Exchange and at the offices of the Stock Exchange members, shall be published in at least two widely circulated daily newspaper, which are published in Israel in the Hebrew language;
- 2) the full text of the amendment shall be published in the official quotation sheet of the Stock Exchange and in a notice to the members.
- 3) The updated profile, which includes the amendment, will be displayed on the TASE's website: www.tase.co.il.

3. Conditions of an option

- a. An option is issued by the Maof Clearing House in accordance with a profile.

The member who created the option and the member who holds the option are the parties to the obligation and to the right toward the Maof Clearing House under the option.

- b. 1. The following shall apply to an option, of which an equity index is the underlying asset:

- a) The composition of the underlying asset, the list of equities included in the share index, the frequency at which the list of equities is updated and the manner in which the index is calculated shall be as is prescribed in the Regulations; when a said change is made in the list of equities included in the index, then no other change shall be made in the conditions of the options that were issued before the change;
- b) The Regulations under paragraph a) above can be changed, including the method by which the index is calculated; if a said change has been made, then no other change shall be made in the conditions of the options that were issued before the said change.

A said change shall go into effect, within a period of time to be set in the Regulations, after a notice thereon was published for the Stock Exchange members.

2. The following shall apply to an option, for which an equity is the underlying asset:

- a) The criteria for the selection of shares that can constitute underlying assets shall be as prescribed in the Regulations.
- b) The Regulations under paragraph a) above may be changed, When a said change applies, then no other change shall apply to the conditions of the options that were issued before the said change.

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A said change shall go into effect within a period of time to be prescribed in the Regulations, after notice to that effect was given to the members of the Stock Exchange.

3. The following shall apply to an option, for which a non-linked government bond is the underlying asset:
 - a) The criteria for the selection of shares that can constitute underlying assets shall be as prescribed in the Regulations.
 - b) The Regulations under paragraph a) above may be changed. When a said change applies, then no other change shall apply to the conditions of the options that were issued before the said change.

A said change shall go into effect within a period of time to be prescribed in the Regulations, after notice to that effect was given to the members of the Stock Exchange.

- c. A series of options shall include the options that will be issued during the period of the series, and there is no limit on the maximum number of options that may be issued as part of any series of options in the course of its period.
- d. A series of options shall include call options and put options at varying exercise prices, as prescribed in the profile.
- e. The length of the period of an option, the frequency and the times for opening new option series and the exercise date of options of the same series shall be prescribed in the profile.
- f. An option shall be exercised according to its closing price.
- g. On the exercise date shall be exercised all call options with a closing price above their exercise price, and all put options with a closing price below their exercise price.
- h. The Maof Clearing House is responsible for exercising the options, and exercising shall be carried out by paying the amount of the positive differential to the member who holds the option; the said payment shall be carried out as follows:
 - 1) Immediately after the exercise date the account of the member who holds the option shall be credited by the amount of the positive differential;
 - 2) Immediately after the exercise date the account of the member who created the option shall be debited by the amount of the positive differential.

Clearing shall be by setting off the amount due to the Maof Clearing House member in respect of all the member's acts in options and futures, against the amount due from it in respect of the said acts, only the balance being credited or debited to its account at the Maof Clearing House.

- i. the obligation of the Maof Clearing House shall lapse when the account of the member who holds the option has been credited by the amount of the positive differential; the Maof Clearing House is not, in any way whatsoever, responsible for the obligation of a Maof Clearing House member toward its clients.

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- j. The Stock Exchange member shall credit and debit its clients in respect of the exercise of options at the time its account at the Maof Clearing House is credited or debited in accordance with the aforesaid, and a Stock Exchange member who is not a Maof Clearing House member shall credit and debit its clients in respect of the exercise of options at the time its account is credited or debited by the Maof Clearing House member, through which the clearing of its transactions is carried out.
- k. The credits and debits in respect of the exercise of options shall be made on the exercise date of the option; however, when the exercise date is not a business day, then the credits and debits shall be made on the first business day after the exercise date.
- l. No certificates shall be issued in respect of options; the client of a member, who carried out transactions in options through it, is entitled to receive certification thereof from the member.

4. Conditions for listing options for trading

- a. An option shall be deemed to have been issued by the Maof Clearing House and to have been listed for trading when it has been reported that a transaction was concluded in the course of trading on the Stock Exchange, according to which a Stock Exchange member undertook to create an option for a client or for itself, and a Stock Exchange member agreed to buy it for a client or for itself, at a price agreed between those Stock Exchange members (hereafter: "the premium").
- b. The conclusion of a said transaction shall be reported as said in the Part of the Stock Exchange Rules, which deals with trading on the Stock Exchange, and in the Regulations there under.
- c. An option is listed for trading from the date of its issue, as said in subsection a. above, until its exercise date.

5. Conditions of a future

- a. A futures is issued by the Maof Clearing House according to a profile; the members that hold the futures are the parties to the obligation and to the right under the future vis-a-vis the Maof Clearing House.
- b. If a share index is the underlying asset of a future, then the following shall apply:
 - 1) the composition of the underlying asset, the list of shares included in the share index, the frequency at which the list of shares is updated and the way in which the index is calculated shall be as prescribed in the Regulations; when a said change is made in the list of shares included in the index, then there shall be no other change in the conditions of the futures that were issued before the change;
 - 2) the provisions of Regulations under paragraph 1) above can be changed, including the way in which the index is calculated; when a said change is made, then there shall be no other change in the conditions of the futures that were issued before the said change;

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a said change shall go into effect after a notice thereon is published within a period of time to be set in the Regulations.

- c. A series of futures shall include the futures that will be issued during the period of the series, and there is no limit on the maximum number of futures that may be issued as part of each series of futures in the course of its period.
- d. A series of futures shall include futures at varying transaction prices, as is prescribed in the profile.
- e. The length of the period of futures, the frequency and the times for opening new future series and the expiration date of futures of the same series shall be prescribed in the profile.
- f. 1) The Maof Clearing House is responsible for clearing in respect of the futures; clearing shall be carried out at the end of each trading day and also on the expiration date, by debiting and crediting the members that hold futures, as specified below:
 - a) whoever bought a future on that day shall be credited, in respect of every future that he bought, with the amount of the differential between the closing price and the transaction price, if the closing price is higher than the transaction price; in respect of futures, in which a fluctuation multiplier is defined, the amount of the said differential shall be multiplied by 100 times the fluctuation multiplier;
 - b) whoever sold a future on that day shall be credited, in respect of every future that he sold, with the amount of the differential between the transaction price and the closing price, if the transaction price is higher than the closing price; in respect of futures, in which a fluctuation multiplier is defined, the amount of the said differential shall be multiplied by 100 times the fluctuation multiplier;
 - c) whoever has a credit balance of futures from the preceding trading day shall be credited, in respect of each future, with the amount of the differential between the closing price and the closing price on the preceding trading day, if the closing price is higher than the closing price on the preceding trading day; in respect of futures, in which a fluctuation multiplier is defined, the amount of the said differential shall be multiplied by 100 times the fluctuation multiplier;
 - d) whoever has a debit balance of futures from the preceding trading day shall be credited, in respect of every future, with the amount of the differential between the closing price on the preceding trading day and the closing price, if the closing price on the preceding trading day was higher than the closing price; in respect of futures, in which a fluctuation multiplier is defined, the amount of the said differential shall be multiplied by 100 times the fluctuation multiplier;

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- e) whoever bought a future on that day shall be debited, in respect of every future that he bought, with the amount of the differential between the transaction price and the closing price, if the transaction price is higher than the closing price; in respect of futures, in which a fluctuation multiplier is defined, the amount of the said differential shall be multiplied by 100 times the fluctuation multiplier;
 - f) whoever sold a future on that day shall be debited, in respect of every future that he sold, with the amount of the differential between the closing price and the transaction price, if the closing price is higher than the transaction price; in respect of futures, in which a fluctuation multiplier is defined, the amount of the said differential shall be multiplied by 100 times the fluctuation multiplier;
 - g) Whoever has a credit balance of futures from the preceding trading day shall be debited, in respect of every future, with the amount of the differential between the closing price on the preceding trading day and the closing price, if the closing price on the preceding trading day was higher than the closing price; in respect of futures, in which a fluctuation multiplier is defined, the amount of the said differential shall be multiplied by 100 times the fluctuation multiplier;
 - h) Whoever has a debit balance of futures from the preceding trading day shall be debited, in respect of every future, with the amount of the differential between the closing price and the closing price on the preceding trading day, if the closing price is higher than the closing price on the preceding trading day; in respect of futures, in which a fluctuation multiplier is defined, the amount of the said differential shall be multiplied by 100 times the fluctuation multiplier;
- 2) Clearing shall be by setting off the amount due to a Maof Clearing House member in respect of all the member's acts in options and futures, against the amount due from it in respect of the said acts, only the balance being credited or debited to its account at the Maof Clearing House.
- g. The obligation of the Maof Clearing House shall lapse at the end of each trading day and on the expiration date, when the account of the member who holds the future has been credited with the amounts specified in section f.1)a) to f.1)d); the Maof Clearing House is not, in any way, responsible for the obligations of a Maof Clearing House member toward its clients.
 - h. A Stock Exchange member shall credit and debit its clients in respect of the exercise of futures at the time when its account at the Maof Clearing House is credited or debited in accordance with the aforesaid, and a Stock Exchange member who is not a Maof Clearing House member shall credit and debit its clients in respect of the exercise of options at the time when its account is credited or debited by the Maof Clearing House member, through which the clearing of its transactions is carried out.

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- i. the credits and debits in respect of the exercise of futures shall be made on the expiration date of the future; however, when the expiration date is not a business day, then the credits and debits shall be made on the first business day after the expiration date.
- j. No certificates shall be issued in respect of future; the client of a member, who carried out transactions in options through it, is entitled to receive certification thereof from the member.

6. Conditions for listing futures for trading

- a. A future shall be deemed to have been issued by the Maof Clearing House and to have been listed for trading when it has been reported that a transaction was concluded in the course of trading on the Stock Exchange, according to which a Stock Exchange member undertook to create a future for a client or for itself, and a Stock Exchange member agreed to contract a transaction with it for a client or for itself, at the transaction price.
- b. The conclusion of a said transaction shall be reported as said in the Part of the Stock Exchange Rules, which deals with trading on the Stock Exchange, and in the Regulations there under.
- c. A future is listed for trading from the date of its issue, as said in subsection a. above, until its exercise date.