

BY-LAWS
of the
MAOF
CLEARING HOUSE LTD.

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CHAPTER ONE - DEFINITIONS AND INTERPRETATION

1. The terms in these By-Laws shall have the same meaning that they have in their definitions in the Securities Law. 5728-1968 and in the TASE Rules, unless it is explicitly stated otherwise.

In these By-Laws -

Terms	Definitions
“Call option” or “Call”	<ul style="list-style-type: none"> - A security within its meaning in Section 52 of the Securities Law, pursuant to the profile of which the MAOF Clearing House assumes an obligation toward a MAOF Clearing House member, and the MAOF Clearing House member assumes an obligation toward the MAOF Clearing House, to pay one of the following, as the case may be: <ol style="list-style-type: none"> 1. immediately after having carried out the transaction – the premium; 2. immediately after the exercise date – the amount of the difference between the settlement price and the exercise price, multiplied by the underlying asset multiplier, if the settlement price is greater than the exercise price;
“Put option” or “Put”	<ul style="list-style-type: none"> - A security within its meaning in Section 52 of the Securities Law, pursuant to the profile of which the MAOF Clearing House assumes an obligation toward a MAOF Clearing House member, and the MAOF Clearing House member assumes an obligation toward the MAOF Clearing House, to pay one of the following, as the case may be: <ol style="list-style-type: none"> 1. immediately after having carried out the transaction – the premium; 2. immediately after the exercise date – the amount of the difference between the exercise price and the settlement price, multiplied by the underlying asset multiplier, if the exercise price is greater than the settlement price;
“Option”	<ul style="list-style-type: none"> - A call option or a put option;
“Amount of the positive option differential”	<ul style="list-style-type: none"> - Regarding a call option – the amount obtained from multiplying the underlying asset multiplier by the difference between the settlement price and the exercise price; - Regarding a put option – the amount obtained from multiplying the underlying asset multiplier by the difference between the exercise price and the settlement price;

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“Future”

- a. A security within its meaning in Section 52 of the Securities Law, pursuant to the profile of which the MAOF Clearing House assumes an obligation to pay a MAOF Clearing House member at the end of each trading day and on the expiration date, and that the MAOF Clearing House member assumes an obligation to pay the MAOF Clearing House at the end of each trading day and on the expiration date, one of the following, as the case may be:
- 1) The amount of the difference between the settlement price and the transaction price, if the settlement price is greater than the transaction price. Regarding futures, for which a volatility coefficient is defined, the amount of the said difference shall be multiplied by 100 times the volatility coefficient;
 - 2) The amount of the difference between the transaction price and the settlement price, if the transaction price is greater than the settlement price. Regarding futures, for which a volatility coefficient is defined, the amount of the said difference shall be multiplied by 100 times the volatility coefficient;
 - 3) The amount of the difference between the settlement price and the settlement price on the preceding trading day, if the settlement price is greater than the settlement price on the preceding trading day.
Regarding futures, for which a volatility coefficient is defined, the amount of the said difference shall be multiplied by 100 times the volatility coefficient;
 - 4) The amount of the difference between the settlement price on the preceding trading day and the settlement price, if the settlement price on the preceding trading day is greater than the settlement price.
Regarding futures for which a volatility coefficient is defined, the amount of the said difference shall be multiplied by 100 times the volatility coefficient.
- b. Regarding a future on a hypothetical debt instrument, the term “future” shall mean a security within its meaning in Section 52 of the Securities Law, pursuant to the profile of which the MAOF Clearing House assumes an obligation to pay a MAOF Clearing House member at the end of each trading day, other than the delivery date, and the MAOF Clearing House member assumes an obligation to pay the MAOF Clearing

Terms**Definitions**

house at the end of each trading day, other than the delivery date, the amount of the difference, as stipulated in subsections a.1), a.2), a.3) or a.4) above, according to the circumstances.

As to delivery dates, the MAOF Clearing House assumes an obligation toward a MAOF Clearing House member and the MAOF Clearing House member assumes an obligation toward the MAOF Clearing House that one of the following, according to the circumstances, shall apply:

- 1) A MAOF Clearing House member holding a short position in futures vis-a-vis the MAOF Clearing House assumes an obligation to transfer debt instruments to the MAOF Clearing House member on the delivery date, as prescribed in the appendix to the profile pertaining to futures on long-term hypothetical debt instruments (hereafter: "Long-term Appendix") or the appendix to the profile pertaining to futures on medium-term hypothetical debt instruments (hereafter: Medium-term Appendix"), as applicable.
- 2) Subject to the receipt of debt instruments from the MAOF Clearing House member holding a futures short position in futures, as detailed in subsection 1) above, the MAOF Clearing House assumes an obligation to pay the MAOF Clearing House member, on the delivery date a cash amount, as stipulated in either the Medium-term or Long-term Appendix, as applicable.
- 3) A MAOF Clearing House member holding a long position in futures assumes an obligation to pay the MAOF Clearing House, on the delivery date, a cash amount, as stipulated in either the Long-term or Medium-term Appendix, as applicable.
- 4) Subject to the MAOF Clearing House member holding a long position in futures paying the cash amount to the MAOF Clearing House, as stipulated in subsection 3) above, and subject to the MAOF Clearing House member holding a short position in futures transferring debt instruments on the delivery date as stipulated in subsection 1) above, the MAOF Clearing House assumes an obligation to transfer to the aforementioned MAOF Clearing House member, on the delivery date, debt instruments as stipulated in the Long-term or Medium-term Appendix, as applicable.

Terms	Definitions
“Board of Directors”	- The Board of Directors of the MAOF Clearing House or a Board of Directors committee authorized by it;
“TASE”	- The Tel Aviv Stock Exchange Ltd;
“Multilateral payment orders”	- Payment orders that include debits and credits of three or more cash accounts, the debits and credits thereof totaling zero;
“Transfer to a “custodian”	- A transfer of options or futures carried out in continuation and immediately after a TASE transaction, in parallel with the transfer of the monetary consideration between the account of a TASE member executing a transaction in options or futures on TASE on behalf of a client and the account of the same client with a custodian where the client’s securities are held, provided that said transfer does not include any transfer of the securities’ ownership;
“Transfer of options and futures without monetary consideration”	- A transfer for no consideration between accounts owned by the same client; - A transfer for no consideration between spouses or between them and their children under the age of 18; - A transfer for no consideration between divorced spouses (in consequence of their divorce); - A transfer for no consideration that stems from an inheritance order; - A transfer for no consideration between relatives; A relative for this purpose – a brother, sister, parent, grandparent, offspring and offspring of spouse, and a spouse of each of these; also, the offspring of a brother or sister and a brother or sister of a parent.
“Member”	- A member of the MAOF Clearing House;
“NCHM” (Not a Clearing House Member)	- A TASE member that is not a member of the MAOF Clearing House;
“Member that writes an option”	- A member to whose debit an option is recorded with the MAOF Clearing House, and that assumes an obligation, as prescribed in the terms of the option;
“Member that holds an option”	- A member to whose credit an option is recorded with the MAOF Clearing House;
“Member that holds a future”	- A member that holds a future with the MAOF Clearing House, to its credit or debit, and that assumes an obligation toward the

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Terms	Definitions
	MAOF Clearing House to comply with its undertaking under the future, or there is an obligation of the MAOF Clearing House toward it, as prescribed in the terms of the future;
“Cash settlement member”	- A member that is a bank and participates in the RTGS System, and that conducts cash settlement services, including on behalf of a member that does not conduct cash settlement;
“By-Laws”	- These By-Laws and any change that may be made in them from time to time by the Board of Directors;
“Member debits”	- Including all a member’s obligations toward the MAOF Clearing House of any type, under the By-Laws, any agreement and under any law, as these may be from time to time, and including, without detracting from the generality of the above, all a member’s obligations toward the MAOF Clearing House pertaining to the following: <ul style="list-style-type: none"> a. The execution of MAOF transactions and activity on its own behalf and activity on behalf of the member’s clients; and b. The execution of MAOF transactions and activity by an NCHM, for which the member is liable, as stipulated in the By-Laws, being activity both on behalf of the NCHM and on behalf of the NCHM’s clients; and c. The execution of MAOF transactions and activity by a non-bank member, for which the member is liable, as stipulated in the By-Laws, being activity both on behalf of the non-bank member and on behalf of the non-bank member’s clients; and d. All the member debits toward the MAOF Clearing House in relation to its share in the Risk Fund.
“Multilateral clearing window”	- The period during which the MAOF Clearing House sends multilateral payment orders to the System in accordance with the System rules
“Cash account”	- The account of a member that is a bank, kept at the Bank of Israel and intended for the performance of cash credits and debits by the MAOF Clearing House;
“Trading day”	- A day on which trading takes place on TASE;
“Business day”	- A day on which clearing takes place at the Bank of Israel;
	-
“TA-35 Index basket unit”	- A bundle of securities, which includes all the securities that make up the TA-35 Index basket, the new shekel value of which is the

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Terms	Definitions
	closing TA-35 Index price, multiplied by one hundred;
	The quantity of each of the securities included in the TA-35 Index basket shall be a quantity, the new shekel value of which shall be the value of the aforesaid bundle, multiplied by the weighting of that security in the TA-35 Index;
“Daily net balance”	- The amount obtained from adding all the net debit balances on a certain business day;
“Net balance”	- The amount obtained from setting off (netting off) the cash credit balances and cash debit balances of a given member, stemming from all multilateral clearing orders that were submitted for execution within the framework of the multilateral clearing window;
“RTGS System rules” or “System rules”	- The Rules of the RTGS System, as prescribed by the Bank of Israel and as they shall be from time to time
“CPI” or “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, including that index even if it is published by another official body or institution instead of the Central Bureau of Statistics, and including any official index that shall replace it, whether or not it is based on the same data as the present index; 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 such a relationship is not determined as aforesaid, then the relationship between the other index and the replaced index shall be determined in consultation with experts in economics chosen by the Board of Directors;
“Basket index”	- The index of a basket of securities, calculated and published by TASE;
“Closing index price”	- The index calculated on each trading day according to the closing prices of the shares included in the index basket, unless stated otherwise in the TASE Rules or the regulations under them;
“Exercise index” or “Expiration index”	- The index calculated on the last trading day before the exercise date or the expiration date, as applicable, according to the opening prices of the shares included in the basket index.
	However, should no TASE trading in all the shares comprising the basket index take place on the day designated as the last trading day of a given series of options or series of futures – the exercise

Terms	Definitions
	<p>index and expiration index shall be the closing index price set on the trading day following the day that was originally meant to be the last trading day of the series of options or futures, as applicable.</p> <p>For the purpose of this section –</p> <p>“Last trading day of a series of options or series of futures” - the day preceding the day the exercise index or expiration index is set, as applicable;</p>
“Exercise price”	- The price set in the option on the underlying asset;
“Transaction price”	<p>a. In respect of futures on equity indices or futures on foreign currency exchange rates – the new shekel price of the underlying asset, multiplied by the underlying asset multiplier, as set between the buyer and seller at the time a futures transaction is executed;</p> <p>b. In respect of futures on three-month interest rates – one hundred, less the three-month interest rate multiplied by one hundred, as set between the buyer and seller at the time a futures transaction is executed; the said price shall be determined to a precision of two decimal places;</p> <p>c. In respect of futures on the consumer price index – the new shekel price of the underlying asset, as set between the buyer and seller at the time a futures transaction is executed;</p> <p>In respect of futures on hypothetical debt instruments –</p> <p>The price in new agorot (i.e., NIS 0.01) of the underlying asset, as set between the buyer and seller at the time a futures transaction is executed.</p> <p>d. The said price shall be determined to a precision of two decimal places;</p>
“Normalized price”	- The closing price of a debt instrument on the last trading day prior to the expiration date, minus interest accrued up to that day, divided by the debt instrument’s conversion factor.
“Settlement price”	<p>a. In respect of options:</p> <p>For equity index options – the underlying equity index multiplied by NIS 1.</p> <p>For equity options – the opening price of the share, in new agorot, on the last trading day prior to the exercise date.</p> <p>However, should no TASE trading in the said share take place on the day that was originally meant to be the last trading day of the option series – the settlement price shall be the closing price set for the share on the trading day following the day that was originally meant to be the exercise date of the option</p>

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series;

For foreign exchange rate options – the last exchange rate published prior to the exercise date, on a day on which TASE trading takes place and exchange rates are set by the Bank of Israel; or an alternative price to be calculated according to the regulations, in new agorot;

In respect of options on non-linked (Shachar) government bonds – the opening price set for the non-linked government bond on the last trading day before the exercise date, in new agorot;

However, if TASE trading with the said non-linked government bond did not take place on the day meant to be the last trading day of a series of options, then the settlement price that shall be set for the non-linked government bond on the next trading day following the day that was meant to be the last trading day of the series of options shall be the closing price;

For the purpose of this section –

“Last trading day of a series of options” – the trading day preceding the day on which the settlement price is set;

b. In respect of futures on an equity index and futures on foreign currency exchange rates:

1) On the expiration date –

For equity index futures – the equity expiration index multiplied by NIS 1, multiplied by the underlying asset multiplier.

For foreign exchange rate futures – the last exchange rate published prior to the expiration date, on a day in which TASE trading takes place and exchange rates are set by the Bank of Israel, or an alternative price to be calculated according to the regulations, in new agorot, multiplied by the underlying asset multiplier;

2) On any trading day –

The settlement price of a future is as prescribed in section 4 of Chapter Six of the guidelines pursuant to Part Three of the TASE Rules.

c. In respect of three-month interest rate futures:

1) On the expiration date –

The difference between one hundred and the product of one hundred times the annual yield of the short-term loan series having a term to redemption, on the date of the

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calculation, that is closest to three months.

The said yield shall be calculated according to the opening price of the above short-term loan series on the trading day prior to the expiration date.

However, should no TASE trading in the aforementioned short-term loan series take place on the day that was originally meant to be the last trading day of the three-month interest rate futures series – said yield shall be calculated as the aforementioned short-term loan series' settlement price on the trading day following the day that was originally meant to be the last trading day of the three-month interest rate futures series.

For the purpose of this section –

“Last trading day of a futures series” – the trading day preceding the day on which the expiration settlement price is set.

The said price shall be calculated to a precision of two decimal places;

- 2) On any trading day on which futures transactions were executed –

The weighted average of the transaction prices set in the last five transactions executed in the future, on condition that in those transactions all together at least twenty-five futures were bought or sold;

If at least twenty-five futures were not bought or sold in the said last five transactions – then the weighted average of the transaction prices set in the said last transactions executed in the future, in which all together at least twenty-five futures were bought or sold;

If the aforesaid executed transactions did not amount to twenty-five futures – then the weighted average of the transaction prices set in all futures transactions executed on that trading day.

The said price shall be calculated to a precision of two decimal places;

- 3) On any trading day on which no such futures transactions were executed – the settlement price of the future on the preceding trading day;

- d. In respect of consumer price index futures:
- 1) On the expiration date –

Terms**Definitions**

The last known consumer price index.

The said price shall be calculated to a precision of two decimal places;

- 2) On any trading day on which futures transactions were executed –

The weighted average of the transaction prices set in the last five transactions executed in the future, on condition that in those transactions all together at least twenty-five futures were bought or sold;

If at least twenty-five futures were not bought or sold in the said last five transactions – then the weighted average of the transaction prices set in the said last transactions executed in the future, in which all together at least twenty-five futures were bought or sold;

If the aforesaid executed transactions did not amount to twenty-five futures – then the weighted average of the transaction prices set in all futures transactions executed on that trading day.

The said price shall be calculated to a precision of two decimal places;

- 3) On any trading day on which no such futures transactions were executed – the settlement price of the future on the preceding trading day;
- e. In respect of futures on medium-term hypothetical debt instruments:

- 1) On the expiration date –

The settlement price shall be calculated according to the following formula:

$$EDSP = \frac{S_{CTD} - AI_{CTD}}{CF_{CTD}}$$

where:

S_{CTD} - The closing price of the debt instrument with the lowest normalized price among the debt instruments included in the basket of medium-term debt instruments.

AI_{CTD} - The accrued interest on the day preceding the expiration date on the debt instrument with the lowest normalized price among the debt

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instruments included in the basket of medium-term debt instruments.

CF_{CTD} – The conversion factor of the debt instrument with the lowest normalized price among the debt instruments included in the basket of medium-term debt instruments.

The said price shall be calculated to a precision of two decimal places;

- 2) On any trading day on which futures transactions were executed –

The weighted average of the transaction prices set in the last five transactions executed in the future, on condition that in those transactions all together at least twenty-five futures were bought or sold;

If at least twenty-five futures were not bought or sold in the said last five transactions or in which all together at least twenty-five futures were sold; – then the weighted average of the transaction prices set in the said last transactions executed in the future, in which all together at least twenty-five futures were bought or sold;

If the aforesaid executed transactions did not amount to twenty-five futures – then the weighted average of the transaction prices set in all futures transactions executed on that trading day.

The said price shall be calculated to a precision of two decimal places;

- 3) On any trading day on which no such futures transactions were executed – the settlement price of the future on the preceding trading day;

f. In respect of futures on long-term hypothetical debt instruments:

- 1) On the expiration date –

The settlement price shall be calculated according to the following formula:

$$EDSP = \frac{S_{CTD} - AI_{CTD}}{CF_{CTD}}$$

where:

S_{CTD} – The closing price of the debt instrument with the lowest normalized price among the debt

Terms**Definitions**

instruments included in the basket of long-term debt instruments.

AI_{CTD} – The closing price of the debt instrument with the lowest normalized price among the debt instruments included in the basket of long-term debt instruments.

CF_{CTD} – The conversion factor of the debt instrument with the lowest normalized price among the debt instruments included in the basket of long-term debt instruments.

The said price shall be calculated to a precision of two decimal places;

- 2) On any trading day on which futures transactions were executed –

The weighted average of the transaction prices set in the last five transactions executed in the future, on condition that in those transactions all together at least twenty-five futures were bought or sold;

If at least twenty-five futures were not bought or sold in the said last five transactions – then the weighted average of the transaction prices set in the said last transactions executed in the future, in which all together at least twenty-five futures were bought or sold;

If the aforesaid executed transactions did not amount to twenty-five futures – then the weighted average of the transaction prices set in all futures transactions executed on that trading day.

The said price shall be calculated to a precision of two decimal places;

- 3) On any trading day on which no such futures transactions were executed – the settlement price of the future on the preceding trading day;

“Profile”	-	A document drawn up by the MAOF Clearing House in respect of each class of underlying asset, which reflects the rights and obligations inherent in the options or futures;
“Underlying asset multiplier”	-	The number of times the underlying asset is included in the option or future;
“Manager of the MAOF Clearing	-	The person appointed by the Board of Directors, on the recommendation of the CEO of TASE, as Chief Executive Officer

Terms	Definitions
House”	of the MAOF Clearing House or his stand-in.
“TASE Clearing House”	- The Tel Aviv Stock Exchange Clearing House Ltd.;
“MAOF Clearing House” or “the Clearing House”	- The company, which clears transactions in options and futures, whose number in the Companies Register is 51-112258-2;
“Number of days to the redemption 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 up to and including the day prior to the redemption of the series;
“RTGS System” or “The system”	- A system for same day real time clearing of payments, managed by the Bank of Israel;

Terms	Definitions
“Conversion factor” (CF)	<p>- The conversion factor of a debt instrument <i>I</i>, as of the delivery date, as calculated according to the following equation, to a precision of six decimal places:</p> $CF_i = \frac{1}{1.06^{\frac{m}{365}}} \left\{ \frac{c}{0.06} \left(1.06 - \frac{1}{1.06^n} \right) + \frac{1}{1.06^n} \right\} - c \left(1 - \frac{m}{365} \right)$ <p>where:</p> <p>CF_i – The conversion factor for debt instrument <i>i</i>.</p> <p><i>c</i> – The annual interest rate, expressed as a decimal, borne by the debt instrument.</p> <p><i>n</i> – The number of whole years remaining from the delivery date through the principal payment date.</p> <p><i>m</i> – The number of days from the delivery date through the next interest payment date.</p>
“Futures volatility coefficient”	- A new shekel amount as prescribed in the profile;
“Short-term loan”	- Bonds issued by the State of Israel under the Short-Term Loan Law, 5744-1984;
“Custodian”	- A TASE member with which a client’s option holdings are registered;
“Underlying asset”	- The price of a security, securities index basket, foreign exchange rate, interest rate, price index or another asset, as shall be prescribed in Part Seven of the TASE Rules or in the regulations published under them or in temporary regulations;
“Percentage point”	- One-hundredth;
“Options series”	- Options with the same exercise date;
“Futures series”	- Futures with the same expiration date;
“Securities basket” or “Basket”	- A group of securities traded on TASE, in respect of which TASE shall calculate and publish an index;
“Basket of long-term debt instruments”	<p>- A series or several series of Shachar bonds traded on TASE and for which, immediately prior to the first trading day of a futures series, each of the following conditions shall have been fulfilled:</p> <p>a. The amount listed for trade on TASE, on the trading day immediately prior to the first trading day of the futures series</p>

Terms	Definitions
	<p>exceeds NIS 4 billion par value, or alternatively;</p> <p>A series, for which the Ministry of Finance has notified TASE, by the trading day prior to the first trading day of a futures series, that it is an on-the-run offering bond and for which the amount listed for trade on TASE on the trading day immediately prior to the first trading day of the futures series exceeds NIS 2 billion par value;</p> <p>b. The time to maturity on the futures series' delivery date is between 6 and 11 years.</p> <p>If, when the term of a new futures series commences, there are no Shachar bonds with the delivery date of the aforementioned new futures series that meet the above criteria, the Manager of the MAOF Clearing House shall determine, immediately prior to the first trading day of the aforesaid futures series, which long-term debt instruments shall be included in the basket of long-term debt instruments for said series;</p>
<p>“Basket of medium-term debt instruments”</p>	<p>- A series or several series of Shachar bonds traded on TASE and for which, immediately prior to the first trading day of a futures series, each of the following conditions shall have been fulfilled:</p> <p>a. The amount listed for trade on TASE, on the trading day immediately prior to the first trading day of the futures series exceeds NIS 4 billion par value, or alternatively;</p> <p>A series, for which the Ministry of Finance has notified TASE, by the trading day prior to the first trading day of a futures series, that it is an on-the-run offering bond and for which the amount listed for trade on TASE on the trading day immediately prior to the first trading day of the futures series exceeds NIS 2 billion par value;</p> <p>b. The time to maturity on the futures series' delivery date is between 3 and 6 years.</p> <p>If, when the term of a new futures series commences, there are no Shachar bonds with the delivery date of the aforementioned new futures series that meet the above criteria, the Manager of the MAOF Clearing House shall determine, immediately prior to the first trading day of the aforesaid futures series, which medium-term debt instruments shall be included in the basket of medium-term debt instruments for said series;</p>
<p>“MAOF transactions”</p>	<p>- Transactions in options and futures, which are cleared by the MAOF Clearing House, as well as the monetary obligations arising therefrom.</p>

Terms	Definitions
“Client’s open option position”	- A client’s credit or debit balance in respect of any option;
“Client’s open futures position”	- A client’s credit or debit balance in respect of futures of any series;
“Client’s open position”	- A client’s open option position and a client’s open future position;
“Client’s balance of options or client’s balance of futures”	- The number of options or the number of futures, as the case may be, of a client;
“Premium”	- The amount paid by the buyer of the option;
“Accrued interest” (AI)	- The interest accrued on debt instrument i on day t , as calculated according to the following equation, to a precision of six decimal places:
	$AI_i^t = \frac{m}{365} \times C_i$
	where:
	AI_i^t – The interest accrued on debt instrument i on day t .
	m – The number of days between the last interest payment day through day t .
	C_i – The interest in agorot to be paid on a NIS 1 par value debt instrument, on the next interest payment date, which is calculated according to the following equation:
	$C_i = 100 \times \left[(1 + c)^{\frac{act}{365}} - 1 \right]$
	where:
	c – The annual interest rate, expressed as a decimal, borne by the debt instrument.
	act – The number of days between the last interest payment day and the next interest payment day.
	- Notwithstanding the aforesaid, if day t falls during the period between the debt instrument’s <i>ex</i> -interest day and the debt instrument’s first interest payment day that falls after day t , the

Terms**Definitions**

accrued interest on the debt instrument shall be calculated according to the following equation:

$$AI_i^t = \left(\frac{m}{365} - 1 \right) \times C_i$$

- “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 foreign currency linked Government bonds shall be the foreign currency exchange rate;
- “Opening price” - As defined in Part Three of the [TASE] Rules;
- “Three-month interest rate” - The annual yield of the short-term loan series, having a term to redemption, on the date of the calculation, that is closest to three months;
- “Closing price” - As defined in Part Three of the [TASE] Rules;
- “Annual yield on a short-term loan series” - The difference between one hundred and the TASE price of a short-term loan series, with said difference being divided by the TASE price of the short-term loan series and multiplied by 365 and divided by the number of days to the redemption of the short-term loan series;
- “Exercise date” - The date determined in the profile for exercising the option;
- “Delivery date” - The next business day after the expiration date;
- “Expiration date” - The date prescribed in the profile for the expiration of the future;
- “Terms and conditions of the option or future” - The rights and obligations associated with an option or a future, as prescribed in the By-Laws, the TASE Rules and regulations, the profile under which the option or the future was written and in any other document prescribed in the TASE Rules and Regulations or in these By-Laws;
- “Shachar bond” - A Shachar bond or a government bond;
- “Hypothetical debt instrument” - A long-term hypothetical debt instrument, as defined in the appendix of the profile governing futures on long-term hypothetical debt instruments, or a medium-term hypothetical debt instrument, as defined in the appendix of the profile governing futures on medium-term hypothetical debt instruments;

Terms	Definitions
“On-the-run offering bond”	- A Shachar bond of which the Ministry of Finance notified TASE that it is a part of a Ministry of Finance “on-the-run” debt offering;
“Debit ceiling”	- The maximum sum that the MAOF Clearing House is entitled to debit against the cash account of a cash settlement member for the total multilateral activity in a given business day of a non-bank member on whose behalf it conducts clearing.
<p>2. Wherever the By-Laws prescribe that an act be performed on a certain day, that shall be on a business day, unless explicitly prescribed otherwise in the By-Laws or if a different time was set in Board of Directors’ decisions, which make provisions in general or for a specific case; an aforesaid Board of Directors’ decision may deviate from the provisions of the By-Laws.</p>	
<p>3. a. 1) Wherever the By-Laws require consent or approval by the Board of Directors of the MAOF Clearing House, these shall be given by the Board of Directors or, subject to the provisions of the law, by a person to whom the Board of Directors of the MAOF Clearing House delegated its powers, as the case may be, unless prescribed otherwise in the By-Laws.</p> <p>2) Wherever the By-Laws require consent or approval by the MAOF Clearing House, these shall be given by the Manager of the MAOF Clearing House or by a person authorized by him, as the case may be, or by a person to whom any one of these delegated his powers, as the case may be, unless prescribed otherwise in the By-Laws.</p> <p>b. 1) Wherever the By-Laws vest any powers in the Board of Directors of the MAOF Clearing House, those powers shall be used by the Board of Directors of the MAOF Clearing House or, subject to the provisions of the law, by a person to whom the Board of Directors of the MAOF Clearing House delegated any of its powers, as the case may be, unless prescribed otherwise in the By-Laws.</p> <p>2) Wherever the By-Laws vest any powers in the MAOF Clearing House, those powers shall be used by the Manager of the MAOF Clearing House or by a person authorized by him, as the case may be, or by a person to whom any one of these delegated his powers, as the case may be, unless prescribed otherwise in the By-Laws.</p>	
<p>4. Any decision according to the sections of the By-Laws specified below, and any change in the sections specified below shall be adopted by the votes of 75% of the members of the Board of Directors:</p> <p>Chapter Two: sections 1, 2.1.</p> <p>Chapter Four: sections 2, 4, 8, 9.2.1, 9.3.</p> <p>Chapter Four “A”: section 1.</p> <p>Notwithstanding the aforesaid, a decision of the Board of Directors to increase the Risk Fund shall be adopted by the votes of 67% of the members of the Board of Directors.</p>	

5. 5.1 These By-Laws constitute a framework agreement between the MAOF Clearing House and each MAOF Clearing House member, which governs all transactions in options or futures to which the member is party, whether they be within the framework of trading on its own behalf (nostro) or on behalf of clients, including an NCHM, for whose transactions the member is liable, and also including the transactions of the NCHM's clients.

Within this context, "framework agreement" – as this term is defined in the Financial Assets Agreements Law, 5766-2006 (hereafter – Framework Agreement).

- 5.2 To dispel any doubt, it is hereby clarified that these By-Laws constitute a separate Framework Agreement between the MAOF Clearing House and each one of its members, which governs all transactions in options or futures to which the member is a party, as stipulated in section 5.1 above, as well as all of the member's debits, as defined in Chapter Eight below.
6. 6.1 Every notification or order, including a clearing order, shall be delivered to the MAOF Clearing House in writing on the form set by it or via automated transmission, as determined by the MAOF Clearing House. The MAOF Clearing House shall be under no obligation to act if the notification or order was not delivered on the proper form or was not transmitted appropriately. If the MAOF Clearing House agreed to act even if the notification or order was not complete or was not delivered on the proper form or was not transmitted appropriately, its consent shall not be interpreted as a general consent, but only as pertaining to the specific case at hand.
- 6.2 The Manager of the MAOF Clearing House may permit the MAOF Clearing House to accept orders or notifications transmitted by facsimile, electronic communications between computers or by any other means, as he shall prescribe, and on the terms that shall be set by him.
- 6.3 The following shall apply to notifications and orders delivered to the MAOF Clearing House:
- 6.3.1 All MAOF Clearing House records regarding an order, including a clearing order, or a notification shall serve as proof that the member or NCHM contacted the MAOF Clearing House, of the contents of the order or notification and of the date of its delivery to the MAOF Clearing House.
- 6.3.2 An order, including a clearing order, received at the MAOF Clearing House, is irrevocable, except where stated otherwise in these By-Laws.
- 6.3.3 The MAOF Clearing House shall be exempt from all responsibility for any damage that is liable to be caused by any fault or error in the contents of the order or notification or in consequence of the fact that it was given by a person not competent to give it.
- 6.4 The member shall be responsible for tracking, on an ongoing basis, the reports that the MAOF Clearing House sends it. The member should check the correctness of the data that appears in each report. It should inform the Clearing House of any data item that does not match the information in its possession and should ensure that it is changed or completed as necessary. The MAOF Clearing House is not responsible for tracking the reports.

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Any report that was sent to the member and for which no comments from the member were received within 20 days of the report's sending shall be deemed final and shall bind the member for all intents and purposes.

7. The MAOF Clearing House shall announce any additions or amendments to the By-Laws by publication on the TASE website at the following address: maya.tase.co.il.

Such additions or amendments stipulated above shall become valid on the aforementioned date of publication, unless otherwise stated in the aforementioned announcement of the addition or amendment.

8. In these By-Laws:
- a. "Clearing order" – any order in the By-Laws that, in essence, is a clearing order, even if it is not expressly referred to as such;
 - b. "Arrangements for early termination" – any order in the By-Laws that, in essence, is a clearing order, even if it is not expressly referred to as such;
 - c. "Arrangement for determining rights, obligations and ways of making an accounting" – any order in the By-Laws that, in essence, is an arrangement for determining rights, obligations and ways of making an accounting, even if not expressly referred to as such;
 - d. "Arrangement for determining fair value" – any order in the By-Laws that, in essence, is an arrangement for determining fair value, even if not expressly referred to as such;
 - e. "Clearing act" – any order in the By-Laws that, in essence, is a clearing act, even if not expressly referred to as such;
 - f. "Failure arrangements" – any order in the By-Laws that, in essence, is a failure arrangement, even if not expressly referred to as such;
 - g. "Net calculation arrangement" – any order in the By-Laws that, in essence, is a net calculation arrangement, even if not expressly referred to as such;
9. a. A clearing order is considered to be irrevocable from the time, according to the MAOF Clearing House's records, when the order was actually received by MAOF Clearing House, except where the By-Laws provide otherwise. For this purpose –
- 1) In the case of a TASE transaction, the clearing orders pertaining thereto shall be deemed to have been received at the MAOF Clearing House on the date that, according to the records of TASE, the transaction was executed on TASE.
 - 2) In the case of a transfer to custody and transfers of options and futures without monetary consideration, the clearing orders pertaining to the acts shall be deemed to have been received at the Clearing House from the time that the clearing orders of the two parties were received at the Clearing House and subject to the orders being in correlation with each other.
- b. It shall not be possible to cancel a clearing order being recorded at the Clearing House, to alter it or to demand that the Clearing House not carry out the clearing act related directly or indirectly to the order, except as provided in these By-Laws.

Without derogating from the aforesaid, if a TASE transaction is cancelled in accordance with that stated in the TASE Rules and in regulations under them, all the clearing orders relating to

the aforesaid transaction or stemming therefrom, shall also be cancelled.

10. a. A clearing order shall be considered final upon fulfillment of the following conditions:
 - 1) In the case of a transfer of securities for consideration – the clearing act shall be considered final on the date on which the following conditions are fulfilled:
 - (a) The account of the transferor member has actually been debited with the security and the account of the transferee member has actually been credited with the security; and
 - (b) The crediting of the cash account of the member entitled to receive the consideration or of its cash settlement member, and the debiting of the cash account of the member that was charged with the payment of the consideration or of its cash settlement member, have become final in accordance with the RTGS System rules.
 - 2)
 - (a) In the case of a clearing act that is comprised solely of a transfer of securities – the clearing act shall be deemed final on the date on which the account of the member entitled to receive the security was actually credited with the security;
 - (b) If a clearing act has been executed, it shall not be possible to demand that the Clearing House cancel it, except as provided in these By-Laws.

CHAPTER TWO - THE MAOF CLEARING HOUSE RISK FUND

1. 1.1 The MAOF Clearing House shall establish and manage a Risk Fund (hereinafter: “the Risk Fund”).
- 1.2 The amount of the Risk Fund shall be the higher of the following two amounts -
 - 1.2.1 An amount in new Israeli shekels (NIS) equivalent to the maximum difference, plus the cost of realizing collateral and less the Clearing House’s share in a member’s default.

In the case of related members, consideration shall be given to the maximum difference as aforesaid, both at the level of the individual member and at the level of all the related members.

For this purpose, a member and a member which is its subsidiary shall be deemed as related members.

The maximum difference shall be calculated as follows:

- A. On every trading day during the examination period, the difference per member shall be calculated for each member.
- B. On each of the trading days during the examination period, the largest difference from among all of the differences per member calculated as aforesaid shall be selected.
- C. The maximum difference is the greatest difference per member among those selected as stated in sub-section B. above, during the examination period, at a confidence level of 99.9%.

When:

1. The difference per member – the result obtained from deducting the minimum margin requirement per member on a given trading day from the maximum margin requirement for that member.
2. The examination period – each of the trading days that occurred in the 5.35 years that preceded the date of the examination.
3. The maximum amounts of margin required – the maximum amount of margin that the member or the related members, as the case may be, would be required to deposit on each of the days included in the examination period, if the margin requirement was to be calculated as stated in Chapter Eight, when –
 - a. The maximum volatility range parameter shall be calculated on the basis of the historical VaR at a confidence level of 99.9%, for a period of up to 16.05 years, with the result being multiplied by 1.3.
 - b. The volatility parameter for every underlying asset shall be tested under two scenarios, as follows:
 - The highest annual volatility of the underlying asset, in accordance with the provisions of Chapter Eight, during a period of up to 16.05

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years, multiplied by 1.3.

- The lowest annual volatility of the underlying asset, in accordance with the provisions of Chapter Eight, during a period of up to 16.05 years,, multiplied by 0.7.
 - c. The volatility scan range parameter shall be calculated in accordance with the provisions of Chapter Eight; however, instead of the annual volatility, this parameter shall be calculated using the volatility calculated as stated above.
4. The minimum amounts of margin required – the lower of the following amounts calculated on the same trading day:
- a. The amount of margin that the member would be required to deposit in accordance with the provisions of Chapter Eight.
 - b. The amount that would be obtained if the aforesaid calculation was to be made using the maximum volatility range parameter in effect on the calculation date.

1.2.1 NIS 250 million.

1.3 The Clearing House's role in a member's default – the amount determined by the MAOF Clearing House in accordance with ISA's directive to assure the proper conduct of activity at the Tel Aviv Stock Exchange Clearing House Ltd and at the MAOF Clearing House Ltd, as the amount of the MAOF Clearing House's contribution to covering the defaulted member's obligations.

1.4 Cost of realizing collateral – the loss expected upon realizing the securities serving as margin for the Risk Fund and the margin for the open positions as defined in Chapter Eight, as prescribed from time to time by the Manager of the MAOF Clearing House in consultation with the Chief Risk Officer.

1.5 1.5.1 The amount of the Risk Fund shall be recalculated every day in accordance with that stated in sections 1.2-1.4 above (hereinafter: "daily calculation of the Fund").

1.5.2 The amount of the Risk Fund shall be updated once in every calendar quarter (hereinafter: "quarter"), on the 15th of the first month of each quarter (hereinafter: "the quarterly updating date"). The update shall be done based on the daily calculation of the Fund that is performed on the last trading day of the quarter that preceded the quarterly updating date.

1.5.3 Notwithstanding that stated in section 1.5.2 above, the amount of the Risk Fund shall be updated on a date that is not the quarterly updating date if the amount that is obtained as a result of the daily calculation of the Fund is 5% or NIS 25 million (hereinafter in this subsection: "the excess") higher than the amount of the Fund as it is on the daily calculation of the Fund, whichever is the lower.

The amount of the Risk Fund shall be updated on the date that the MAOF Clearing House shall determine and which shall not be later than five trading days from the date of the aforesaid excess.

1.5.4 The Manager of the MAOF Clearing House, after consulting with the Chief Risk

Officer, may increase the amount of the Risk Fund if in his opinion the market conditions so require. If the Manager of the MAOF Clearing House has decided to update the amount of the Risk Fund in accordance with this subsection – he shall deliver to the Board of Directors the reasons for the decision, immediately after taking the decision.

2. 2.1 2.1.1 Each member's participation in the Risk Fund shall be updated on every update date, and shall be the higher of the following two amounts:
 - 2.1.1.1 The amount of the Risk Fund, as stated in section 1 above, multiplied by the ratio of the daily average of the amounts of margin required from the member at the beginning of the trading days under section 1.1 in Chapter Eight below, to the daily average of the amounts of margin required from all members of the MAOF Clearing House at the beginning of the trading days in the preceding quarter under section 1.1 in Chapter Eight below.

In the event of an update not taking place on the quarterly date, in accordance with sections 1.5.3., 1.5.4, the calculation shall be performed on the bases of the daily average of the amounts of margin required from all members of the MAOF Clearing House at the beginning of the trading days during the three months that preceded the quarterly calculation of the Fund.
 - 2.1.1.2 NIS 5 million.
- 2.1.2 Notwithstanding that stated in subsection 2.1.1 above, if in the course of any quarter a MAOF clearing agreement was canceled between an NCHM. and a member that clears for another (hereinafter: "the first clearer"), as defined in Chapter Four "A" below, and if a MAOF clearing agreement was made by that NCHM and another member (hereinafter: "the second clearer"), then the following provisions shall apply:
 - 2.1.2.1 On the day on which the MAOF clearing agreement with the second clearer goes into effect, the second clearer's participation in the Risk Fund shall be increased by the amount set for that quarter for the first clearer in respect of the activity of the NCHM under section 2.1.1.1 above, and at the same time the first clearer's participation in the Risk Fund shall be reduced by the same amount;
 - 2.1.2.2 The participation of the second clearer shall be updated at the beginning of the next quarter, as follows: to the daily average of the amounts of margin required from the second clearer in the preceding quarter, in accordance with section 2.1.1 above, shall be added the daily average of the amounts of margin required in the preceding month from the first clearer in respect of the NCHM's activity.
- 2.1.3 The participation in the Risk Fund of a new member that joins the Clearing House shall be determined by the Board of Directors, on condition that it is not less than NIS 5 million.
- 2.1.4 Notwithstanding that stated in subsections 2.1.1 and 2.1.3 above, if in the course of any quarter a MAOF clearing agreement between an NCHM and a member that

clears for another (hereinafter: “the clearing member”) was canceled and the NCHM became a member on that same day, then the following provisions shall apply:

2.1.4.1 On the day on which the new member’s membership in the MAOF Clearing House goes into effect, the new member shall be required to deposit in the Risk Fund the amount set in that quarter under section 2.1.1 for the clearing member in respect of the activity of the new member that was an NCHM, and concurrently the participation of the clearing member in the Risk Fund shall be reduced by the same amount;

2.1.4.2 At the beginning of the following quarter, the new member’s participation shall be updated as specified in section 2.1.1, as if it had acted as a member during all of the preceding quarter.

Concurrently, the participation of the clearing member shall be updated in accordance with section 2.1.1, as if it had not at all cleared for the new member during the preceding quarter;

2.1.4.3 Notwithstanding that stated in sections 2.1.4.1 and 2.1.4.2 above, the new member’s participation shall not be less than NIS 5 million.

2.1.5 Without derogating from the rest of the member’s obligations toward the Clearing House, a member shall be obligated to make full and exact payment of an amount equivalent to the member’s participation in the Risk Fund, as set forth in this Chapter.

(An amount equivalent to the member’s participation in the Risk Fund, under this section 2, as updated from time to time, shall hereinafter be referred to as “the member’s participation in the Risk Fund”.)

2.2 2.2.1 A member shall give collateral to the MAOF Clearing House and shall charge them in its favor in order to secure the member’s participation in the Risk Fund and in order to guarantee fulfillment of all the rest of the member’s obligations toward the MAOF Clearing House, on condition that, at no time, shall the collateral value be less than the member’s participation in the Risk Fund, and all in accordance with the conditions specified in this Chapter and in Chapter Eight below (hereinafter: “the Risk Fund margin”).

In order to secure at least 50% of the member’s participation in the Risk Fund, the member shall give the MAOF Clearing House cash that will be deposited as collateral in the margin accounts at the Bank of Israel, as defined in Chapter Eight below.

2.2.2 If, on the date of any updating, a member’s participation in the Risk Fund is greater than the member’s participation in the Risk Fund in the preceding quarter, then the member shall – on the updating date – provide the additional collateral, as required under section 2.2.1 above (hereinafter: “provision of additional collateral”, and all in accordance with the conditions specified in this Chapter and in Chapter Eight below.

3. Without derogating from any right of the MAOF Clearing House under the By-Laws -

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- 3.1 On the occurrence of one or more of the events specified in section 1.1.2 of Chapter Seven "B" below in respect of any member (hereinafter: "the member in violation"), the MAOF Clearing House shall be entitled to realize the Risk Fund margin given by the member in violation, and that in addition to the right of the MAOF Clearing House to realize collateral given by the member in violation to meet the member's obligations, and all that for the settlement of all the member's obligations toward the MAOF Clearing House under the By-Laws or under any part thereof.
- 3.2
 - 3.2.1 Every member that is not a member in violation (hereinafter in this section: "other member") shall pay to the MAOF Clearing House, as specified in Chapter Eight below and under the conditions stipulated therein, an amount equivalent to the other member's participation in the Risk Fund, or any part thereof;
 - 3.2.2 If the other member has not paid the amounts referred to in subsection 3.2.1 above, the MAOF Clearing House is entitled to realize margin deposited by the other member in the margin accounts, as defined in Chapter Eight below, or in any of them, on condition that the MAOF Clearing House not collect from the other member, in respect of the obligations of the member in violation, an amount greater than the other member's participation in the Risk Fund, and all under the conditions specified in Chapter Eight below.
4. Without derogating from any right of the MAOF Clearing House under the By-Laws or under any law, realization of collateral shall be done in accordance with that specified in Chapter Eight below.
5. If a member requested that its membership in the MAOF Clearing House be terminated and its request has been approved by the Board of Directors, then the member shall leave the Risk Fund and collateral that it gave to the Risk Fund shall be returned to it at the end of the quarter that follows the quarter in which its membership in the MAOF Clearing House terminated, or at an earlier time, as determined by the MAOF Clearing House (if so determined), and the member shall, for all intents and purposes, be liable for its participation in the Risk Fund until that date.
6. If, for any reason whatsoever, the value of margin given to secure the members' participation in the Risk Fund has fallen below the amounts required under sections 1 and 2 above, then the MAOF Clearing House shall continue its activity only if additional margin to secure the members' participation in the Risk Fund is added, as required under sections 1 and 2 above.
7. CANCELLED.

CHAPTER THREE - ACTIVITIES OF THE MAOF CLEARING HOUSE

1. a. The MAOF Clearing House shall issue a profile.
 - b. The profile is likely to change over time, as a result of amendments made pursuant to decisions of TASE's Board of Directors and the MAOF Clearing House's Board of Directors, as the case may be. The aforesaid amendments shall be brought to the attention of the public in the following manner:
 - 1) A notice that the profile has been amended shall be published in at least two mass-circulation daily newspapers, published in Israel in Hebrew;
 - 2) The full text of the amendment shall be posted on TASE's online disclosure website, "MAYA" at the following address: maya.tase.co.il.
 - 3) The updated profile, including the amendment, shall be posted on TASE's website at the following address: www.tase.co.il.
2. The MAOF Clearing House shall provide services for its members, as provided in these By-Laws.
3. Without derogating from that stated in section 2 above, the MAOF Clearing House shall provide the following services for its members:
 - 3.1 Registration and clearing of transactions and transfers in the members' accounts;
 - 3.2 Exercising;
 - 3.3 Any other service decided on by the Board of Directors.
4. a. The fees and handling charges for the services that the MAOF Clearing House provides shall be as set forth in the price list that constitutes an appendix to the Regulations pursuant to the Sixth Part of the TASE Rules.
 - b. Without derogating from the aforesaid, the MAOF Clearing House may charge the members MAOF Clearing House with fees and handling charges for TASE's services, at rates and in a manner that shall be prescribed from time to time in the TASE Rules and in regulations thereunder.
5. The Board of Directors may decide to provide, directly or indirectly, services also to others against payment.
6. Without derogating from any right of the MAOF Clearing House under the By-Laws, the books and accounts of the MAOF Clearing House shall be deemed correct and shall constitute a priori evidence of all particulars of all their contents.

CHAPTER FOUR - MAOF CLEARING HOUSE MEMBERSHIP

1. General

1.1 The number of members in the MAOF Clearing House is not limited.

1.2 Membership in the MAOF Clearing House requires approval by the Board of Directors.

2. Conditions of qualification for membership

2.1 An applicant for membership must comply with the following conditions:

2.1.1 it is a TASE member; a remote member shall not be a MAOF Clearing House member;

2.1.2 At least one year has passed since the beginning of its activity as a TASE member.

The Board of Directors may exempt any one of the following bodies from the need to meet this condition:

2.1.2.1 A TASE member that has been accepted as a TASE member in place of its parent company, which had been a TASE member and which, within the framework of a reorganization of its business, had transferred to it the securities business which it had carried out, on condition that one year has passed since its parent company began its activity as a TASE member;

2.1.2.2 A TASE member that is a subsidiary of an international investment house;

2.1.2.3 A TASE member that has been accepted as a TASE member in place of its subsidiary, which had been a TASE member and which, within the framework of a reorganization of its business, had transferred to it the securities business which it had carried out, on condition that one year has passed since its subsidiary began its activity as a TASE member;

2.1.3 It has a minimum equity that shall not be less than the following amounts:

For the purpose of this section:

“Equity” -

In respect of a member that is a bank – equity, in accordance with generally accepted accounting principles;

In respect of a non-bank member – Common Equity Tier 1 within its meaning in Part One of the TASE Rules.

2.1.3.1 The minimum equity required of a member that is a bank shall be NIS 165.3 million.

2.1.3.2 The minimum equity required of a non-bank member shall at no time be less than the Common Equity Tier 1 required of a non-bank TASE member, as specified in Part One of the TASE Rules, or NIS 165.3 million, whichever is the higher.

2.1.3.3 In addition to the equity required under section 2.1.3.1 or section 2.1.3.2 above, as applicable, a member requesting to provide services to an NCHM under the provisions of Chapter Four “A” of the By-Laws or a

bank controlled by it which is not a TASE member under the provision of Chapter Four “B” of the By-Laws, shall be required to maintain an additional NIS 165.3 million equity for each aforementioned NCHM and for each aforementioned bank to which the member provides services.

- 2.1.3.4 In addition to the required equity, the Board of Directors may require the controlling shareholders or directors of a non-bank member to provide adequate guaranties to secure the existing or future obligations of the non-bank member.
- 2.1.3.5 Monetary values under this section will be linked to the CPI index and updated annually on January 1st (hereinafter: “**the date of update**”), at the rate of change of the record CPI index over the base CPI index.

For the purposes of this section:

“CPI index” - The Consumer Price Index published by the Central Bureau of Statistics or any other index that supersedes it, rounded to the two digits after the decimal point.

“Base CPI index” – The latest CPI index known on the date of the previous date of update.

“Record CPI index” – The latest CPI known on the date of update.

The amounts resulting from such update will be rounded to the nearest hundred thousand NIS.

- 2.1.4 It shall insure itself by an appropriate insurance policy.
- 2.1.5 It has the means and the professional manpower to enable it to properly conduct activity on the MAOF Clearing House.
- 2.1.6 If it is a bank, it participates in the RTGS System.
- 2.1.7 If, in accordance with the provisions of the FATCA-D (Foreign Account Tax Compliance Act), it is required to receive a GIIN number, it shall inform the MAOF Clearing House of the GIIN-D number that it received.
- 2.1.8 It will make a declaration regarding the tax residency applicable to it as well as its classification in accordance with the CRS (Common Reporting Standard).
- 2.2 A member that wishes to provide services to a TASE member that is not a member of the MAOF Clearing House must also comply with the conditions stipulated in section 1 of Chapter Four “A” below.

3. **Application for membership and how it is processed**

- 3.1 3.1.1 Any applicant for membership (hereinafter: “the applicant”) shall submit an application to the MAOF Clearing House (hereinafter: “the application”) (see Appendix Three).

- 3.1.2 The particulars of the application and the documents that shall be attached thereto shall be prescribed by the Board of Directors.
 - 3.1.3 If, while an application is being processed, it is found that information needed for a decision thereon is missing, the Board of Directors may require that those particulars be provided to it by a date that it shall prescribe.
 - 3.1.4 If the application did not comply with the provisions of this section or if the information requested as stated in subsection 3.1.3 above was not provided by the date stated in the request, then processing of the application shall stop until whatever is missing has been supplied, and when the missing material is supplied the application shall be treated as a new application submitted on the date of completion.
 - 3.1.5 Processing the application is subject to payment of a processing fee, as specified in the appendix to the Regulations to Part Six of the Rules.
 - 3.2 3.2.1 The Board of Directors shall discuss the application not later than 120 days after the date on which it was received, on condition that the application included all the necessary information and documents.
 - 3.2.2 Under special circumstances, the Board of Directors may recommend to the MAOF Clearing House's general meeting that it should not approve an application for membership, or that it should set additional conditions for its approval, even if all the requirements under this Chapter have been met, on condition that the applicant was given an appropriate opportunity to bring its written arguments before the Board of Directors.
 - 3.2.3 Under special circumstances and with the recommendation of the Board of Directors, as stated in subsection 3.2.2 above, the general meeting may decide not to approve an application for membership or to set additional conditions for its approval, even if all the requirements under this Chapter have been met.
 - 3.3 An approval for admission to membership shall lapse, if the conditions set in the approval were not met within the period set in the approval.
 - 3.4 If the Board of Directors approved an application, then – within seven days from the approval date – the applicant shall pay the MAOF Clearing House the MAOF Clearing House membership fee, as shall be prescribed by the Board of Directors.
 - 3.5 An approved candidate shall become a member when the following conditions have been met:
 - 3.5.1 It has deposited its participation in the MAOF Clearing House Risk Fund;
 - 3.5.2 It has complied with the conditions of these By-Laws and with any additional condition, in accordance with section 3.2.2 above;
 - 3.5.3 It has paid the MAOF Clearing House membership fee.
4. CANCELLED.

5. **Obligations of a member**

- 5.1 5.1.1 A member shall always maintain its qualification for membership in the MAOF Clearing House, even after it has been accepted as a member, and it shall comply with the other provisions of the By-Laws.
- 5.1.2 The ratio of the amount of margin required from a MAOF Clearing House member, as stated in Chapter Eight, to its equity, within its meaning in section 2.1.3 above, shall at no time exceed 1.5 (the total of margin required) to 1 (the equity).
- 5.2 A member shall fulfill the obligations incumbent upon it under the TASE Rules and the Regulations thereunder, and if it is a member of the TASE Clearing House, then it shall comply with the By-Laws of the TASE Clearing House, all those as they shall be from time to time, and those obligations shall be deemed part of its obligations as a member of the MAOF Clearing House.
- Without derogating from the aforesaid, whenever a member has to obtain approval on behalf of TASE or the TASE Clearing House, the member shall also submit a copy of its application to the MAOF Clearing House, and the latter shall be entitled to determine that its approval also is required, and it shall be entitled to refuse to grant it or to set conditions for granting it.
- 5.3 A member shall require its clients to sign an undertaking not to exceed the restrictions on their open positions, as is prescribed in the TASE Rules and the Regulations thereunder.
- 5.4 5.4.1 Differences of opinion or disputes between one member and another, on any aspect of their activity on the MAOF Clearing House, shall be resolved between them; if they fail to reach an agreement within thirty days, then within a further thirty days they shall appoint a single arbitrator; if no arbitrator was appointed as aforesaid, they shall so inform the MAOF Clearing House and the arbitrator shall be appointed, within thirty days of the said notification, by the Chairman of the Board of Directors.
- 5.4.2 The arbitration shall be conducted in accordance with the Schedule to the Arbitration Law, 5728-1968.

6. **Disciplinary jurisdiction**

- 6.1 Members are subject to disciplinary jurisdiction under the By-Laws.
- 6.2 The proceedings of disciplinary jurisdiction shall be as prescribed in the TASE Rules, mutatis mutandis as the case may be, and with the changes specified in this Chapter.
- 6.3 Every violation of a provision prescribed in the By-Laws by a member, its ranking manager or employee shall be deemed a disciplinary offense.
- 6.4 When a member has committed a disciplinary offense, then its directors, CEO and controlling shareholder shall also be held responsible for that offense, unless they proved that the offense was committed without their knowledge and that they were under no obligation to know about it, or that they took all reasonable steps to prevent the offense.
- 6.5 For purposes of sections 6.3 and 6.4 above, in a member that is a banking corporation only the CEO and the managers responsible for the units or departments connected to the securities market shall be deemed ranking managers of the member.

- 6.6 Disciplinary hearings shall be before a single judge having a legal education, unless the Board of Directors has decided to hold the hearing before a panel of three judges (hereinafter: "the disciplinary panel"); the single judge or the disciplinary panel shall be appointed by the Chairman of the Board of Directors.
- 6.7 A single judge shall not be entitled to impose a penalty of the cancellation of membership or a penalty of suspension for a period longer than ninety days, and a fine imposed by him shall not exceed one half the maximum amount, which a disciplinary panel may impose under the TASE Rules.
- 7. Late submission of reports**
- 7.1 The Board of Directors may impose a fine of NIS 10,000 plus VAT on a member, if the member was late in submitting financial statements or other reports under section 20 A. of Part One of the TASE Rules.
- 7.2 Such a decision shall only be made after the member has been given an opportunity to present its arguments to the Board of Directors in writing.
- 7.3 Imposition of a fine under the provision of section 7.1 shall not prejudice the possibility of other disciplinary jurisdiction proceedings being taken against the member.
- 8. Temporary interruption of the provision of MAOF Clearing House services**
- a. 1) The Manager of the MAOF Clearing House, in consultation with the CEO of TASE and the Chief Risk Officer, may decide on a temporary interruption in the provision of MAOF clearing services to a member (hereinafter: "temporary interruption"), if he concludes, at his discretion, that there is a suspicion that the member is liable not to meet its obligations or any part thereof or that the member is liable not to pay its debts or any part thereof or if it was decided to convene the MAOF Clearing House Board of Directors to discuss calling for the immediate redemption of the member's liabilities toward the MAOF Clearing House or to discuss altering or closing the member's open position, as specified in Chapter Seven "B" below, or if it was decided to convene the Board of Directors to discuss the continuation of MAOF Clearing House services to the member as stipulated in subsection 8.b. below.
- In such an instance, the Manager of the MAOF Clearing House shall, as far as possible, refrain from deciding on a temporary interruption in the provision of MAOF Clearing House services before the member is given an opportunity to present its arguments to him. However, if the Manager of the MAOF Clearing House believes that the decision should not be delayed, then he may decide on said temporary interruption, even before giving the member an opportunity to present its arguments to him, on condition that the member be given the opportunity to present its arguments after the decision has been taken.
- 2) Notwithstanding the aforesaid, if the member did not meet its monetary obligations that stem from acts carried out on the MAOF Clearing House, as specified in section 3 of Chapter Five of the By-Laws, then the Manager of the MAOF Clearing House, in consultation with the CEO of TASE and the Chief Risk Officer, may order immediately a temporary interruption in the provision of MAOF Clearing House services to the member.

In such an instance, the member shall be given an opportunity to present its arguments after the decision has been taken.

- 3) The Manager of the MAOF Clearing House shall inform the Governor of the Bank of Israel of his intention to take a decision to interrupt temporarily the provision of MAOF Clearing House services to a member and he shall give the Bank of Israel an opportunity to express its opinion on this matter.

However, if the Manager of the MAOF Clearing House, in consultation with the CEO of TASE and the Chief Risk Officer, is of the opinion that taking the decision to interrupt temporarily the provision of MAOF Clearing House services to a member should not be delayed, he may decide on said temporary interruption even before giving the Bank of Israel an opportunity to express its opinion, provided that the Bank of Israel is given the opportunity to express its opinion after the decision has been taken.

- b. If the Manager of the MAOF Clearing House decided on a temporary interruption, he shall immediately notify the Chairman of the Board of Directors of this, who shall act as soon as possible, in order to discuss the continued provision of MAOF Clearing House services to the member.
- c. If, during the period in which the temporary interruption is in effect, the member proves to the Manager of the MAOF Clearing House's satisfaction that grounds for deciding on the temporary interruption have been removed, the Manager of the MAOF Clearing House, in consultation with the CEO of TASE and the Chief Risk Officer, may decide that the provision of clearing services be resumed.
- d. If the member did not prove to the Manager of the MAOF Clearing House's satisfaction that the grounds for deciding on the temporary interruption have been removed, then the Board of Directors shall convene and discuss the continued provision of MAOF Clearing House services to the member.
- e.
 - 1) If the Board of Directors decided that there is a suspicion that the member is liable not to meet its obligations or any part thereof, or that the member is liable not to pay its debts or any part thereof, or if one or more of the other events specified in section 1.1.2 of Chapter Seven "B" of the By-Laws occurred (the aforesaid suspicion, as well as any of the aforesaid events shall hereinafter be called an "event that arouses suspicion of insolvency"), then the Board of Directors may decide to interrupt the provision of MAOF Clearing House services to the member, and it may restrict the said interruption of services to a period that it shall set.
 - 2) The Board of Directors may decide to continue to provide MAOF Clearing House services to the member, either fully or partly, and it may restrict the provision of the said services by conditions and restrictions, as it deems proper, at its discretion.
 - 3) The Board of Directors shall only take a decision to interrupt the provision of MAOF Clearing House services to the member, or to continue to provide MAOF Clearing House services to the member only partially, after the member was given an appropriate opportunity to appear before the Board of Directors or to present its position in writing. If the Board of Directors concludes that taking the decision should not be delayed, then the Board of Directors may decide as aforesaid even

before the member is given said opportunity to present its arguments to the Board of Directors, on condition that the member be given an opportunity to present its arguments in writing after the decision has been taken.

- 4) The Chairman of the Board of Directors shall inform the Governor of the Bank of Israel of the intention to discuss at the Board of Directors the matter of interrupting the provision of Clearing House services to a member and he shall give the Bank of Israel an opportunity to express its opinion on this subject.

However, if the Board of Directors is of the opinion that taking the decision to interrupt the provision of MAOF Clearing House services to the member should not be delayed, the Board of Directors may decide to interrupt the provision of Clearing House services as aforesaid even before giving the Bank of Israel an opportunity to express its opinion, provided that the Bank of Israel is given the opportunity to express its opinion after the decision has been taken.

9. **Suspension and cancellation of membership**

9.1 The provisions of the TASE Rules on all aspects of the cancellation and suspension of membership shall apply, mutatis mutandis as the case may be, and with the changes specified in this Chapter.

9.2 A member's membership shall also lapse or be suspended in any of the following instances:

9.2.1 The Board of Directors decided to cancel or to suspend a member's membership, for a period and on terms which it shall prescribe, because of any one of the following reasons:

9.2.1.1 A liquidator, temporary liquidator or a receiver was appointed for the member, or the member adopted a resolution of voluntary liquidation or was liquidated;

9.2.1.2 A petition for the member's liquidation was submitted, on the grounds of insolvency, as this is defined in Section 258(2)(d) of the Companies Ordinance, and such petition was neither withdrawn nor dismissed within thirty days;

9.2.1.3 The member was found guilty of an offense involving moral turpitude;

9.2.1.4 An indictment was brought against the member or against one of its controlling shareholders and in light of the severity of the indictment, the Board of Directors believes that cancellation or suspension of the member's membership is warranted;

9.2.1.5 The member ceased being a Stock Exchange member or was suspended from it;

9.2.1.6 The disciplinary panel pronounced a penalty of cancellation of membership against the member;

9.2.1.7 One or more of the events stipulated in subsection 1.1.2 of Chapter Seven "B" occurred;

9.2.1.8 Substantive improprieties were discovered in the manner in which the

member conducts business, and those were not corrected within the deadline set by the MAOF Clearing House;

- 9.2.1.9 The member fails to comply with one of the conditions or one of the obligations imposed upon it under Chapters Two, Four, Four "A", Five, Seven and Eight of the By-Laws;
- 9.2.1.10 The member ceased complying with any one of the terms set forth in Chapters Two through Four of Part One of the TASE Rules or of the Regulations thereunder;
- 9.2.1.11 The member did not act in accordance with a decision of the disciplinary panel regarding a disciplinary sanction imposed on it;
- 9.2.1.12 The member failed to conduct actual and continuous activity on the MAOF Clearing House;
- 9.2.1.13 On the occurrence of one of the instances specified in subsections 9.2.1.1, 9.2.1.3 or 9.2.1.8 involving a member's controlling shareholder and the Board of Directors believes that this might affect the member;
- 9.2.2 The member requested the cancellation of its MAOF Clearing House membership and its request was approved by the Board of Directors.

Membership shall be canceled after the preconditions have been fulfilled and at the time prescribed by the Board of Directors.

- 9.3 9.3.1 A decision to cancel or suspend a member's membership otherwise than at the member's request shall be adopted only after the member was given an appropriate opportunity to appear before the Board of Directors or to present its arguments in writing; however, if the Board of Directors believes that the taking of the decision should not be delayed, the Board of Directors shall be entitled to suspend the membership even before giving the member such opportunity to present its arguments to the Board of Directors, on condition that the member be given the opportunity to present its arguments in writing after the decision has been taken.

- 9.3.2 The Chairman of the Board of Directors shall notify the Governor of the Bank of Israel of the intention to hold deliberations regarding an involuntary cancellation or suspension of membership and shall give the Bank of Israel an opportunity to express its opinion on this matter.

However, if the Board of Directors is of the opinion that taking the decision should not be delayed, it may decide to cancel or suspend membership, even before giving the Bank of Israel an opportunity to express its opinion, provided that the Bank of Israel is given the opportunity to express its opinion after the decision has been taken.

- 9.4 If a member was suspended or its membership was canceled, or if was decided to interrupt the full or partial provision of MAOF Clearing House services to a member, the Board of Directors shall decide how to liquidate the member's open positions on its client accounts and on its proprietary trading (nostro) account. The MAOF Clearing House shall be entitled to perform any action necessary to carry out the Board of Directors' decision, including the realization of collateral.

10. If a member was suspended or if its membership was canceled, or if it was decided to interrupt temporarily the full or partial provision of Clearing House services to it, then it and all its agents shall do everything possible in order to prevent – as far as possible – damage to the member's clients, to other members, to the MAOF Clearing House and to TASE.

Even if a member was suspended, if its membership was canceled, or if it was decided to interrupt temporarily or permanently the provision of Clearing House services to it and even if it was decided to provide Clearing House services to it on a partial basis, the member shall continue to be bound by all its obligations as a member. Likewise, if membership was cancelled, a member shall continue to be bound by all its obligations as a member in respect of the period prior to the membership cancellation date, including in respect of transactions and acts prior to the membership being cancelled.

**CHAPTER FOUR “A” - TRANSACTIONS OF A TASE MEMBER THAT IS
NOT A MAOF CLEARING HOUSE MEMBER**

1. A member may provide services to a TASE member who is not a member of the MAOF Clearing House (hereinafter: “NCHM”), and that when the following conditions are complied with:
 - 1.1 Its equity shall not be less than the minimum required equity prescribed in Chapter Four of the By-Laws.
 - 1.2 It has the means and the professional manpower that enable it to provide services to the NCHM.
 - 1.3 It has the means necessary in order to calculate in an ongoing manner and in real time margin requirements in respect of the NCHM’s activity in derivatives traded on TASE.
2. 2.1 A member that complies with the conditions of section 1 above (hereinafter: “clearing member for another”) may provide services to an NCHM as its client, and the NCHM and each of its clients shall – in respect of all matters pertaining to these By-Laws – be considered clients of the member.
 - 2.2 Without derogating from the generality of the aforesaid in section 2.1 above, and in order to dispel any doubt, it is hereby clearly stated that all the provisions prescribed in Chapter Seven “B” below – including the provisions regarding the early termination of MAOF transactions to which the member is a party, the grant of an irrevocable power of attorney by the member, the delegation of powers, liens and set offs – shall apply to the member also in respect of the MAOF transactions that the NCHM (for which the member serves as the clearing member) performs, whether on its own behalf or on behalf of its clients, as specified in section 4 below, and those transactions shall, for all intents and purposes, be considered MAOF transactions executed on behalf of the member’s client.
3. The NCHM shall deposit with and charge to the credit of the clearing member for another, which is not a bank, collateral composed of assets that can be realized immediately in an amount that shall not be less than 20% of the margin required from the clearing member for another by the MAOF Clearing House in respect of the clients of the NCHM under section 2.2.8.3 in Chapter Eight, together with the margin that is required from the clearing member for another by the MAOF Clearing House, in respect of the nostro accounts of the NCHM under section 2.2.10.3 in Chapter Eight.
4. A clearing member for another may agree that an NCHM shall charge it for options and futures transactions carried out by the NCHM on TASE, subject to the following conditions:
 - 4.1 4.1.1 The provisions of the By-Laws, insofar as they refer to the restrictions on the scope of open positions and on accepting client collateral, shall also apply to the transactions that the NCHM performs, whether on its own behalf or on behalf of its clients, as aforesaid.
 - 4.1.2 In order to dispel any doubt, it is hereby clearly stated that all the transactions performed by the NCHM., as aforesaid, whether on behalf of itself or on behalf of its clients, shall be considered, for all intents and purposes, transactions to which the member is a party, including – but without derogating from the generality of the

aforesaid – on all matters pertaining to the early termination of MAOF transactions to which the member is a party, the grant of an irrevocable power of attorney by the member, the delegation of powers, liens and set offs.

- 4.2 In order to calculate the margin that a clearing member for another must provide the MAOF Clearing House, the NCHM and every client of the NCHM shall be considered a client of the clearing member for another, subject to the following conditions:
- 4.2.1 An agreement shall be made between the clearing member for another and the NCHM, which defines the relations between them and includes everything stated in this section 4 (hereinafter: “the MAOF Clearing Agreement”); in the MAOF Clearing Agreement the clearing member for another shall set the maximum amount of margin, within which the NCHM may deal in derivatives traded on TASE (hereinafter: “the maximum amount”); the clearing member for another shall not enable the NCHM to use it to perform activity for which the required margin exceeds the maximum amount.
- 4.2.2 The open positions of the NCHM. and of each of its clients, shall be reported by it directly to the MAOF Clearing House, or through the clearing member for another, on condition that the open positions of the NCHM. be reported separately from the open positions of the clearing member for another.
- 4.2.3 The MAOF Clearing House shall inform the clearing member for another of the amount of margin that is required from it in respect of the NCHM, having taken into account the open positions of the NCHM and of each of the clients of the NCHM.
- 4.2.4 The clearing member for another shall inform the MAOF Clearing House about every transfer of options or futures from the accounts of the NCHM or from the accounts of the clients of the NCHM, or about every transfer to the said accounts.
- 4.2.5 Section 5 in Chapter Nine shall also apply to the NCHM.
- 4.2.6 A clearing member for another shall at all times calculate, in real time, the margin required from the NCHM in respect of the activity of the NCHM in derivatives traded on TASE.

The clearing member for another shall establish a procedure for handling instances in which the margin required in respect of MAOF activity by the NCHM approaches the maximum amount set for the NCHM, as well as a procedure for handling instances in which the margin required in respect of MAOF activity by the NCHM exceeds the maximum amount set for the NCHM.

- 4.3 Notwithstanding the stated in section 4.2 above, where the NCHM is a bank that is wholly owned by the member that clears for another, for the purpose of calculating the collaterals that a member that clears for another is required to provide to the MAOF Clearing House the NCHM and each of its clients shall be deemed as a client of the member that clears for another, subject to the following:
- 4.3.1 An agreement will be drawn up between the member that clears for another and the NCHM, which defines the relationship between them and contains all of the stated in section 4.1 above (hereafter: “MAOF Clearing Agreement”).

4.3.2 A member that clears for another will report to the MAOF Clearing House the open positions of the NCHM and of each of its clients as an integral part of its report on its clients.

4.3.3 The value of collaterals required in accordance with Chapter Eight below of an NCHM that is a bank that is wholly owned by a member that clears for another shall not exceed NIS 10 million at any time.

5. A clearing member for another shall inform the MAOF Clearing House who the NCHMs are, with which it has MAOF Clearing Agreements that comply with the requirements of section 4 above.

6. A clearing member for another is liable toward the MAOF Clearing House for the clearing of all transactions of each NCHM with which it has an NCHM Clearing Agreement, even if in consequence thereof it is charged an amount larger than that agreed between them in the MAOF Clearing Agreement.

A clearing member for another shall give the MAOF Clearing House an undertaking to clear the transactions of the NCHM with which it has a MAOF Clearing Agreement, worded in accordance with the text attached as Appendix Four.

7. If a clearing member for another wishes to stop clearing for an NCHM that clears through it, it shall give written notice thereof to the Manager of the MAOF Clearing House and in his absence to the CEO of TASE. When a clearing member for another has given such notice, it shall be responsible for clearing the transactions carried out by the NCHM until fifteen minutes from the time said written notice was delivered, including all obligations under the said transactions, for which the payment date is later than the time when this undertaking lapses.

When the said notice has been delivered to the Director of Trading, the MAOF trading activity of the NCHM shall be stopped.

8. One week before a MAOF Clearing Agreement lapses, the clearing member for another shall give written notice of the date on which the agreement lapses to the Manager of the MAOF Clearing House, and in his absence to the CEO of TASE. The clearing member for another is responsible for clearing the transactions carried out by the NCHM up to the time when the MAOF Clearing Agreement lapses or until the said written notice is given, whichever is later, including all obligations under the said transactions, for which the payment date is later than the time when this undertaking lapses.

9. The transaction reports produced in the course of trading on TASE, in respect of transactions in options and futures by the NCHM, shall also be given to the clearing member for another, concurrently with their delivery to the NCHM.

10. In instances in which the NCHM reports its and its clients' open positions directly to the MAOF Clearing House, as referred to in section 4.2.2 above, the MAOF Clearing House shall deliver – on the day after the trading day – to the clearing member for another the list of the open positions of the NCHM and of each of its clients, and that according to the report that the MAOF Clearing House received from the NCHM.

11. AN NCHM may concurrently receive services from more than one clearing member for another.

12. The member shall credit or debit the NCHMs that clear through it concurrently with the credit or debit of its account with the MAOF Clearing House in respect of the exercise of options, and the NCHM shall credit or debit its clients in respect of the exercise of options concurrently with the credit or debit of its account with the clearing member for it.
13. It is hereby clearly stated that the provisions of this Chapter in respect of an NCHM do not derogate in any manner from any obligation the clearing member for another has toward the MAOF Clearing House in connection with transactions performed by the NCHM for which the member serves as clearing member, and these transactions shall be considered, for all intents and purposes, transactions to which the member is a party.

**CHAPTER FOUR “B” - TRANSACTIONS OF A BANK THAT IS A
SUBSIDIARY OF A MAOF CLEARING HOUSE MEMBER**

1. A member may provide services to a bank under its control, which is not a TASE member and which acts through it in trading in derivatives, the accounts of the bank’s clients being kept on the member’s computer system (hereinafter: “a non-TASE-member bank”), and that when the following conditions are complied with:
 - 1.1 Its equity shall not be less than the required equity prescribed in Chapter Four of the By-Laws.
 - 1.2 It has the means and the professional manpower that enable it to provide services to the non-TASE-member bank.
2.
 - 2.1 A member that complies with the conditions of section 1 above (hereinafter: “clearing member for another”) may provide services to the non-TASE-member bank as its client, and the non-TASE-member bank and each of its clients shall – in respect of pertaining to these By-Laws – be considered clients of the member.
 - 2.2 Without derogating from the generality of the aforesaid in section 2 above, and in order to dispel any doubt, it is hereby clearly stated that all the provisions prescribed in Chapter Seven “B” below – including the provisions regarding the early termination of MAOF transactions to which the member is a party, the grant of an irrevocable power of attorney by the member, the delegation of powers, liens and set offs – shall apply also in respect of the MAOF transactions performed for the non-TASE-member bank, or for the clients of such bank, and those transactions shall, for all intents and purposes, be considered MAOF transactions executed on behalf of the member’s client.
3. The non-TASE-member bank shall deposit with and charge to the credit of the clearing member for another, which is not a bank, collateral composed of assets that can be realized immediately in an amount that shall not be less than 20% of the margin required from the clearing member for another by the MAOF Clearing House in respect of the clients of the non-TASE-member bank under section 2.2.8.3 in Chapter Eight, together with the margin that is required from the clearing member for another by the MAOF Clearing House, in respect of the nostro accounts of the non-TASE-member bank under section 2.2.10.3 in Chapter Eight.
4.
 - 4.1 The provisions of the By-Laws, insofar as they refer to the restrictions on the scope of open positions and on accepting client collateral, shall also apply to the transactions that are performed on behalf of the bank or on behalf of its clients, and the clearing member for another shall be liable toward the MAOF Clearing House for implementation of the aforesaid
 - 4.2 In order to dispel any doubt, it is hereby clearly stated that all the transactions performed on behalf of the non-TASE-member bank, as aforesaid, whether on behalf of itself or on behalf of its clients, shall be considered, for all intents and purposes, transactions to which the member is a party, including – but without derogating from the generality of the aforesaid – on all matters pertaining to the early termination of MAOF transactions to which the member is a party, the grant of an irrevocable power of attorney by the member, the delegation of powers, liens and set offs.

- 4.3 In order to calculate the margin that a clearing member for another must provide the MAOF Clearing House, the non-TASE-member bank and every client of the non-TASE-member bank shall be considered a client of the clearing member for another, subject to the following conditions:
- 4.3.1 An agreement shall be made between the clearing member for another and the non-TASE-member bank, which defines the relations between them and includes everything stated in this section 4 (hereinafter: “the MAOF Clearing Agreement”).
- 4.3.2 A clearing member shall report to the MAOF Clearing House about the open positions of the non-TASE-member bank and of each of its clients, as an integral part of its reporting about its clients.
5. A clearing member for another shall inform the MAOF Clearing House who the non-TASE-member banks are, with which it has MAOF Clearing Agreements that comply with the requirements of section 4 above.
6. A clearing member for another is liable toward the MAOF Clearing House for the clearing of all transactions of the non-TASE-member banks with which it has an NCHM Clearing Agreement, even if in consequence thereof it is charged an amount larger than that agreed between them in the MAOF Clearing Agreement.
7. A non-TASE-member bank shall accept services from only one clearing member for another.
8. It is hereby clearly stated that the provisions of this Chapter in respect of a non-TASE-member bank do not derogate in any manner from any obligation the clearing member for another has toward the MAOF Clearing House in connection with transactions performed on behalf of the non-TASE-member bank for which the member serves as clearing member, and these transactions shall be considered, for all intents and purposes, transactions to which the member is a party.

CHAPTER FIVE: MEMBERS' SECURITIES AND TRANSACTION
SETTLEMENT

1. 1.1 A member shall keep a securities account with the MAOF Clearing House for all the options and futures that are cleared through it, divided into separate subaccounts – one separate subaccount for the member's activity for its clients and another separate subaccount for the member's nostro activity (hereinafter: "the nostro account"). A clearing member for another shall keep, in addition, two separate accounts for each NCHM for which it clears – one separate subaccount for the NCHM's activity for its clients and another separate subaccount for the NCHM's nostro activity.
- 1.2 It is hereby stated clearly that the division into separate subaccounts as articulated in section 1.1. above is intended to address technical and operational needs, and that nothing in this separation derogates from the provisions of Chapter Seven "B" below, including provisions regarding early termination of MAOF transactions to which a member is party, whether these were executed on its own behalf (nostro) or on behalf of its clients, including an NCHM, for whose transactions the member is liable, and an NCHM's clients, the grant of an irrevocable power of attorney, the delegation of powers, liens and set offs.
2. The cash settlement of all transactions in all the member accounts with the MAOF Clearing House shall be consolidated without division into the separate subaccounts. Accordingly, credits and debits stemming from the separate subaccounts shall be considered debits and credits stemming from one account.
3. The cash settlement shall be performed:
 - 3.1 3.1.1 For the performance of cash settlement, the Clearing House is connected to a payments system – within the meaning of that term in the System Rules – known as RTGS.

 The orders of the MAOF Clearing House to credit/debit the accounts of its bank members at the Bank of Israel shall be transferred for implementation in the RTGS System.

 The acts of the MAOF Clearing House in the RTGS System are subject to the System Rules that apply to it.
 - 3.1.2 The MAOF Clearing House shall extend cash settlement services to bank members that participate in the RTGS System and have cash accounts, and also to non-bank members who have contracted with a cash settlement member.

 The cash settlement of a non-bank member shall be carried out by crediting/ debiting the cash account of the cash settlement member with which the non-bank member shall have contracted.

3.1.3 A member who participates in the System hereby authorizes the MAOF Clearing House to perform in its name and in its place all the clearing orders and cash credit and debits, which stem from the clearing orders and clearing acts to which it is a party, as well as from the clearing orders and clearing acts of a non-bank member that is its cash settlement member, in its cash account through the System, in accordance with the System Rules and according to the provisions of these By-Laws.

3.1.4 a) If a member's activity on the System was interrupted, because its use of the System was blocked as a result of it having been suspended from activity on the System or having been expelled from the System, the member shall immediately inform the MAOF Clearing House thereof by a message to be delivered by facsimile and confirmed by a telephone call to the Manager of the MAOF Clearing House.

If the MAOF Clearing House learned that a member's activity on the System was interrupted as aforesaid, then the Manager of the MAOF Clearing House, in consultation with the CEO of TASE and the Chief Risk Officer, shall order an immediate temporary interruption in the provision of MAOF Clearing House services to the member, and the provisions of Chapter Four of the By-Laws regarding the temporary interruption in the provision of MAOF Clearing House services shall apply.

b) If a bank member intends to cancel its participation in the RTGS System at its own initiative, it shall so inform the MAOF Clearing House in writing 30 days before the date on which the member wishes the cancellation of its participation to go into effect, and the provisions of Chapter Four of the By-Laws regarding the suspension and the cancellation of membership shall apply.

c) If the Manager of the MAOF Clearing House has decided on a temporary interruption in the provision of MAOF Clearing House services to a cash settlement member, or if the contract of a non-bank member with the cash settlement member for it was cancelled and it did not contract with another cash settlement member, then the Manager of the MAOF Clearing House, in consultation with the CEO of TASE and the Chief Risk Officer, may order that the provision of MAOF Clearing House services to the non-bank member be immediately interrupted temporarily, and the provisions of Chapter Four of the By-Laws regarding the temporary interruption in the provision of MAOF Clearing House services shall apply.

3.2 Cash settlement of the clearing orders and clearing acts specified below shall be carried out on every business day:

- a. Transactions that were carried out during the preceding trading day and the fees in respect thereof;
- b. Credits/debits from the exercise of options and the expiration of futures;
- c. Credits/debits for miscellaneous services the MAOF Clearing House renders its members;

- d. Any other act, which the Manager of the MAOF Clearing House shall prescribe.
- 3.3 a. On each business day, there shall be three multilateral clearing windows, as specified below:
- 1) A first multilateral clearing window between 8:35 and 9:15 AM;
 - 2) A second multilateral clearing window between 3:30 and 4:00 PM;
 - 3) A third multilateral clearing window between 5:30 and 6:00 PM.
- On Fridays and holiday eves, however, there shall be only two multilateral clearing windows:
- 1) A first multilateral clearing window between 8:35 and 9:15 AM;
 - 2) A second multilateral clearing window between 12:15 and 12:45 PM.
- During the intermediate days of Succoth and the intermediate days of Passover, there shall be only two multilateral clearing windows, as specified below:
- 1) A first multilateral clearing window between 8:35 and 9:15 AM;
 - 2) A second multilateral clearing window between 13:30 and 2:00 PM.
- b. The Manager of the MAOF Clearing House may apply to the Bank of Israel with a request to postpone the opening time or the closing time of any multilateral clearing window, or to open an additional multilateral clearing window (hereinafter: “an emergency window”).
- 3.4 a. Shortly before the opening of any multilateral clearing window, the MAOF Clearing House shall send to the System the multilateral payment orders that stem from all the acts carried out on the MAOF Clearing House until that time.
- b. 1) If the MAOF Clearing House received notification from the System that a multilateral payment order cannot be carried out, then the Manager of the MAOF Clearing House may transmit a corrected multilateral payment order to the System in place of the multilateral payment order that was rejected by the System. As part of the correction of the said order, the Manager of the MAOF Clearing House may, inter alia, cancel acts, the cancellation of which shall make it possible to carry out the corrected multilateral payment order on the System.
- The Manager of the MAOF Clearing House may also access MAOF Clearing House cash to supplement the amount required in order to complete the clearing, and that until the collateral is realized by the MAOF Clearing House, as prescribed in section 10 of Chapter Eight of the By-Laws, on condition that that amount not be greater than the share in the Risk Fund of the member, whose failure to meet his monetary obligation made it impossible to perform the clearing.

If that amount is insufficient to complete the clearing, the Manager of the MAOF Clearing House, in consultation with the CEO of TASE and the Chief Risk Officer, may decide to access MAOF Clearing House cash to supplement the additional amount required in order to complete the clearing, and that until the collateral is realized by the MAOF Clearing House, as prescribed in section 10 of Chapter Eight of the By-Laws, on condition that this additional amount is not greater than NIS 100 million.

It is hereby clarified that accessing Clearing House cash in order to supplement the clearing does not derogate from any right whatsoever that the MAOF Clearing House has under the By-Laws, including the right to realize the collateral that the member in violation provided, as well as the right to realize the collateral that another member provided, and that until all obligations of the member in violation toward the MAOF Clearing House under the By-Laws have been paid.

- 2) Without derogating from the aforesaid, the Manager of the MAOF Clearing House, in consultation with the CEO of TASE and the Chief Risk Officer, may order that the provision of MAOF Clearing House services be immediately interrupted temporarily to the member, which did not meet its monetary obligation by the time set above in section 3.3.a. above for closing the multilateral clearing window, and because of which the multilateral payment order could not be carried out, and the provisions of Chapter Four of the By-Laws regarding the temporary interruption in the provision of MAOF Clearing House services shall apply.

3.5 Clearance of multilateral payment orders shall be final and shall not be liable to cancellation after their clearance was completed according to the System Rules.

3.6 a. Every non-bank member shall have only one cash settlement member.

- b. 1) A cash settlement member is responsible toward the MAOF Clearing House in respect of the obligations of the non-bank member for which it carries out clearing, up to the amount of the debit ceiling.

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

For this purpose:

“Minimum debit ceiling” – An amount equal to NIS 50 million, or an amount equal to the highest daily net balance debited against the non-bank member during the last calendar quarter, being the last that ended before the date of the cash settlement, with the seven business days on which the net daily balance debited against the non-bank member was the greatest in the said quarter not being taken into account, whichever is the greater amount.

The calculation of the minimum debit ceiling of each non-bank member shall be carried out by the MAOF Clearing House at the end of each calendar quarter, and it shall go into effect on the first clearing day in the month after the month following the calendar quarter, i.e., the first clearing day of the months May, August, November and February.

- 2) Before a non-bank member begins to operate, it shall deliver an authorization from its cash settlement member to the MAOF Clearing House, as worded in Appendix Five (hereafter: "the Authorization"), in which the debit ceiling shall be stated.
- 3) If the updated minimum debit ceiling is greater than the amount of debit ceiling set in respect of the preceding quarter, then the non-bank member shall – by the first clearing day of the month after the month following the calendar quarter – deliver a new and updated Authorization from its cash settlement member.
- 4) If a non-bank member has provided an Authorization, then its cash debit balances that stem from multilateral clearing shall be debited against the cash account of its cash settlement member, and that up to the amount of the debit ceiling.

If the non-bank member did not produce an Authorization by the time set therefor, or if the non-bank member delivered an Authorization in a lesser amount than the minimum debit ceiling, the Manager of the MAOF Clearing House, in consultation with the CEO of TASE and the Chief Risk Officer, may order that the provision of MAOF Clearing House services to the non-bank member be immediately interrupted temporarily, and the provisions of Chapter Four of the By-Laws regarding the temporary interruption in the provision of MAOF Clearing House services shall apply.

- c. 1) A cash settlement member may at any time increase the debit ceiling and the updated Authorization shall be in effect from the time of its receipt by the MAOF Clearing House.
- 2) A cash settlement member may reduce the debit ceiling up to 45 minutes prior to the time for opening a multilateral clearing window.

The updated Authorization shall be in effect from the time of its receipt by the MAOF Clearing House; however if the updated writ of authorization was received by the MAOF Clearing House 45 minutes or less before the time for opening a multilateral clearing window, then it shall be taken to have been received by the MAOF Clearing House only after the multilateral clearing window was closed, and the cash settlement member shall continue to be obligated toward the Clearing House in respect of the non-bank member's debits up to the debit ceiling before the updating, and that until after the said multilateral clearing window is closed and after clearing in that multilateral clearing window has been carried out.

In any case, the reduction shall not apply to the amounts that were already debited to the cash account of the cash settlement member for the non-bank member's debits up to the time of receipt of the updated Authorization by the MAOF Clearing House.

Reducing the debit ceiling to less than the minimum debit ceiling shall be taken to be a notification of the end of the contract between the non-bank member and its cash settlement member, as specified in section 3.7 below.

An increase or a decrease in the debit ceiling shall be performed by delivering an updated Authorization to the MAOF Clearing House, as worded in Appendix Five, which shall replace the previous Authorization and take its place.

- d. If, in consequence of clearing a multilateral payment order, the cash debit balance of a non-bank member is expected to exceed the debit ceiling, then the non-bank member shall – up to 5 minutes before the time set in section 3.3.a. above as the time for opening the multilateral clearing window, within which the multilateral payment order is to be cleared – deliver to the MAOF Clearing House an authorization to debit the amount of the difference between the debit ceiling and the total cash debit balance against the cash account of its cash settlement member. The said authorization shall be worded in accordance with the text attached as Appendix Five.

Should the non-bank member fail to present the aforementioned authorization by at least 5 minutes prior to the time stipulated in subsection 3.3.a. above as the opening of the multilateral settlement window, the Manager of the MAOF Clearing House, in consultation with the CEO of TASE, may order an immediate temporary interruption of the provision of MAOF Clearing House services and the provisions stipulated in Chapter Four of the By-Laws regarding the temporary suspension of the provision of clearing services shall apply.

- e. Before each multilateral clearing window, in which clearing takes place as stipulated in subsection 3.3 above, the MAOF Clearing House shall calculate – and report to the non-bank member and its cash settlement member – the net balance on which the cash settlement member is expected to be debited/credited in respect of the non-bank member's activity.

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

- 3.7 If a cash settlement member wishes to cease being a cash settlement member for a non-bank member, it shall so inform the MAOF Clearing House by a notice delivered by facsimile, with the MAOF Clearing House's receipt of the notice being confirmed by a telephone call to the Manager of the MAOF Clearing House, or in his absence to the CEO of TASE. With effect from the date of said notice being delivered to the Manager of the MAOF Clearing House, the member shall cease to be the cash settlement member for the non-bank member.

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

When such a notice has been given and the cash settlement member has not contracted with another non-bank member, the Manager of the MAOF Clearing House, in consultation with the CEO of TASE and the Chief Risk Officer, may order an immediate temporary interruption in the provision of MAOF Clearing House services to the non-bank member, and the provisions of Chapter Four of the By-Laws regarding the temporary interruption in the provision of MAOF Clearing House services shall apply.

- 3.8 If a member did not cover a cash debit balance that stems from the clearing of multilateral payment orders by the time it should have done so according to the provisions of this Chapter of the By-Laws, the MAOF Clearing House shall – without derogating from any other authority vested in it under the By-Laws – debit the amount of NIS 25,000 plus VAT against the member for each delay.
- 3.9 a. The MAOF Clearing House shall produce clearing sheets in a format to be decided by it. The clearing sheets shall include details that shall be determined from time to time by the Manager of the MAOF Clearing House. Separate clearing sheets shall be produced for each subaccount.
- b. 1) The transactions of non-bank members that are not kept in a separate subaccount shall be specified on the clearing sheets of their clearing members. The details shall relate to both the quantity of securities and the monetary consideration. Furthermore, the MAOF Clearing House shall produce for each non-bank member – whose transactions are kept in a separate subaccount – an overall clearing report, which includes the particulars of the transactions and acts performed by the non-bank member. The report shall include particulars prescribed from time to time by the Manager of the MAOF Clearing House.
- 2) The cash transactions of the non-bank member shall be specified on its cash settlement sheet, and in addition a summary of the cash transactions shall be presented (in a single amount) on the cash settlement sheet of its cash settlement member.
- c. Immediately before cash settlement is carried out of multilateral payment orders, the MAOF Clearing House shall make the members' cash settlement sheets available to the members, which include the cash transactions that shall be cleared for them during that cash settlement.

The clearing sheets shall become final and absolute after cash settlement has been carried out in accordance with the System Rules.

CHAPTER FIVE “A” - TRANSFERS TO A CUSTODIAN

1. The MAOF Clearing House shall carry out transfers to custodian orders.
2. Transfers to a custodian shall be carried out subject to the following:
 - 2.1 An order to clear a transfer to a custodian shall be delivered to the MAOF Clearing House by the transferring member and shall be confirmed by the member receiving the transfer not later than 60 minutes after the close of derivatives trading on TASE on that day. The order shall be delivered to the MAOF Clearing House in accordance with the text of the form appended as Appendix Two of the By-Laws.

In the event of an NCHM being a party to the transfer to the custodian, it too must confirm the transfer.
 - 2.2 Upon the MAOF Clearing House verifying that the clearing order given by the transferring member matches the clearing order given by the member receiving the transfer – the transfer to the custodian shall be deemed as having been received at the Clearing house at that time.
3. 3.1 From the time of the MAOF Clearing House receiving a transfer to a custodian of an option, the MAOF Clearing House assumes the following obligations:
 - 3.1.1 To pay, to the member transferring an open long position, or to pay, to a member receiving the transfer of an open short position, as the case may be, the premium;
 - 3.1.2 To transfer the option from the transferring member to the member receiving the transfer;
 - 3.1.3 The obligations toward a member receiving an open long position, as set forth in Chapter Seven below.
- 3.2 From the time of the MAOF Clearing House receiving a transfer to a custodian of an option, the MAOF Clearing House member assumes the following obligations:
 - 3.2.1 If it is a member that is transferring an open long position or if it is a member receiving an open long position – to pay the premium to the MAOF Clearing House;
 - 3.2.2 If it is the transferring member – to transfer the option to the Clearing House;
 - 3.2.3 If it is the member receiving an open short position – the obligations as set forth in Chapter Seven below.
- 3.3 From the time of the MAOF Clearing House receiving a transfer to a custodian of a future, the MAOF Clearing House assumes the following obligations:
 - 3.3.1 To transfer the future from the transferring member to the member receiving the transfer;
 - 3.3.2 The obligations set forth in Chapter Seven “A” below.
- 3.4 From the time of the MAOF Clearing House receiving a transfer to a custodian of a future, the MAOF Clearing House member assumes the following obligations:
 - 3.4.1 If it is the transferring member – to transfer the contract to the Clearing House;

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3.4.2 If it is the member receiving the transfer – the obligations as set forth in Chapter Seven “A” below.

4. The option and futures accounts of the transferring member and of the member receiving the transfer shall be debited or credited, as applicable, in such manner as to clear the options and futures.
5. The cash accounts of the transferring member and of the member receiving the transfer shall be debited or credited, as applicable, in such manner as to carry out cash settlement of the transactions in options and futures.
6. 6.1 Once received at the MAOF Clearing House, a transfer to a custodian cannot be canceled. However, if it is clear to the Manager of the MAOF Clearing House that a mistake occurred in the transfer to a custodian, he may – at the request of the two members that are parties to that transfer – perform an act intended to correct the outcome of the mistake and, within the framework of this, he may order – at the request of the members – the transfer of options or futures between the accounts of the aforesaid members and, concurrently, the transfer of the monetary consideration agreed between them.
- 6.2 A request by the members for the performance of the act referred to in section 6.1 above (hereinafter: “the request”) shall be delivered to the MAOF Clearing House, using the form appended as Appendix Two “A”, and it shall be signed by the two members that are parties to the original transfer to a custodian.

In the event of an NCHM being a party to the original transfer to a custodian, it must also sign the request. The request can be submitted within 10 days of the date of the original transfer to a custodian and, in no event, not later than one trading day prior to the expiration date of the derivatives referred to in the request.

Should an order correction request or order cancellation request, as applicable, be submitted, fees shall be collected from the submitter, as set forth in the price list that constitutes an appendix to the Regulations pursuant to the Sixth Part of the TASE Rules.
7. a. The Manager of the MAOF Clearing House is entitled – within two hours of the close of trading – to cancel a transfer to a custodian, if either the transferring member or the member receiving the transfer failed to deposit the additional collateral required from them in consequence of the transfer to a custodian.
- b. If a transfer to a custodian is canceled as stipulated in section a. above, the collateral required from the transferring member and from the member receiving the transfer shall be altered, as necessitated by the cancellation of the transfer to the custodian.
- c. The Manager of the MAOF Clearing House may withhold releasing collateral to the transferring member or to the member receiving the transfer, if – as a result of the cancellation of the transfer to the custodian, as stipulated in subsection a. above – an increase in the collateral required from that member is expected.
8. Should circumstances arise for which no rules have been set in the provisions of this Chapter and in cases in which the Manager of the MAOF Clearing House shall decide that a deviation from the provisions of this Chapter is warranted, the Manager of the MAOF Clearing House shall determine the manner in which the MAOF Clearing House shall execute the transfer to a custodian orders, taking into consideration the principles articulated above.

**CHAPTER FIVE “B” - TRANSFER OF OPTIONS AND FUTURES WITHOUT
MONETARY CONSIDERATION**

1. The MAOF Clearing House shall clear orders whose objective is the transfer of options or futures without monetary consideration.
2. The transfer of options and futures without monetary consideration (hereinafter, in this Chapter, “the transfer”) shall be executed subject to the following:
 - 2.1 The transfer order shall be delivered to the MAOF Clearing House by the transferring member and shall be confirmed by the member receiving the transfer not later than 60 minutes after the close of trading on TASE on that day. The order shall be delivered to the MAOF Clearing House in accordance with the text of the form appended as Appendix Two “C” of the By-Laws.

In the event of an NCHM being a party to the transfer, it too must confirm the transfer.
 - 2.2 Upon the MAOF Clearing House verifying that the clearing order given by the transferring member matches the clearing order given by the member receiving the transfer – the transfer shall be deemed as having been received at the Clearing house at that time.
3. 3.1 From the time of the MAOF Clearing House receiving a transfer of an option, the MAOF Clearing House assumes the following obligations:
 - 3.1.1 To transfer the option from the transferring member to the member receiving the transfer;
 - 3.1.2 The obligations toward a member receiving an open long position, as set forth in Chapter Seven below.
- 3.2 From the time of the MAOF Clearing House receiving a transfer of an option, the MAOF Clearing House member assumes the following obligations:
 - 3.2.1 If it is the transferring member – to transfer the option to the Clearing House;
 - 3.2.2 If it is the member receiving an open position in debit – the obligations as set forth in Chapter Seven below.
- 3.3 From the time of the MAOF Clearing House receiving a transfer of a future, the MAOF Clearing House assumes the following obligations:
 - 3.3.1 To transfer the future from the transferring member to the member receiving the transfer;
 - 3.3.2 Toward the receiving member – the obligations set forth in Chapter Seven “A” below.
- 3.4 From the time of the MAOF Clearing House receiving a transfer of a future, the MAOF Clearing House member assumes the following obligations:
 - 3.4.1 If it is the transferring member – to transfer the contract to the Clearing House;
 - 3.4.2 If it is the member receiving the transfer – the obligations as set forth in Chapter Seven “A” below.

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4. The option and futures accounts of the transferring member and of the member receiving the transfer shall be debited or credited, as applicable, in such manner as to clear the options and futures.
5.
 - a. The Manager of the MAOF Clearing House is entitled – within two hours of the close of trading – to cancel a transfer of options or futures without monetary consideration that had been performed, if either the transferring member or the member receiving the transfer failed to deposit the additional collateral required from them in consequence of the transfer.
 - b. If a transfer is canceled as stipulated in section a. above, the collateral required from the transferring member and from the member receiving the transfer shall be altered, as necessitated by the cancellation of the transfer.
 - c. The Manager of the MAOF Clearing House may withhold releasing collateral to the transferring member or to the member receiving the transfer, if – as a result of the cancellation of the transfer, as stipulated in subsection a. above – an increase in the collateral required from that member is expected.
6. Should circumstances arise for which no rules have been set in these provisions and in cases in which the Manager of the MAOF Clearing House shall decide that a deviation from these provisions is warranted, the Manager of the MAOF Clearing House shall determine the manner in which the MAOF Clearing House shall execute the orders, taking into consideration the principles articulated above.

**CHAPTER SIX - DERIVATIVE TRANSACTIONS AND THE
UNDERTAKINGS OF THE PARTIES THERETO**

1. An option may be written and issued only within the framework of a profile published by the MAOF Clearing House.
 - 1.1 The writing of an option shall be in a TASE transaction pursuant to which a member has agreed to write an option and a member has agreed to buy it at the premium agreed between them.
 - 1.2 A member that holds an option may sell it, in a TASE transaction.
2. 2.1 A future may be written and issued only within the framework of a profile published by the MAOF Clearing House.
 - 2.2 A member that holds a long future may sell it, in a TASE transaction.
 - 2.3 The writing of a future shall be in a TASE transaction pursuant to which the parties have agreed to a transaction for the writing of a future at the price agreed between them.
3. When an option or future has been written as stated in sections 1.1 and 2.1 above, respectively, it shall be deemed to have been issued by the MAOF Clearing House.
4. 4.1 When an option has been issued, the MAOF Clearing House assumes the following obligations:
 - 4.1.1 To pay the member writing or selling the option the premium, and on condition that the member fulfills the obligation stipulated in section 4.2.2;
 - 4.1.2 To transfer the option to the member buying it, and on condition that the member fulfills the obligation stipulated in section 4.2.1;
 - 4.1.3 The obligations toward the member that holds the option, as set forth in Chapter Seven below.
- 4.2 When an option has been issued, the MAOF Clearing House member assumes the following obligations:
 - 4.2.1 If it is the buying member – to pay the premium to the MAOF Clearing House;
 - 4.2.2 If it is the writing or selling member – to transfer the option to the Clearing House;
 - 4.2.3 If it is the writing member – the obligations as set forth in Chapter Seven below.
- 4.3 When a future has been issued, the MAOF Clearing House assumes the following obligations:
 - 4.3.1 To transfer to the members the future that was written;
 - 4.3.2 To transfer the future to the buying member, as referred to in section 2.2;
 - 4.3.3 The obligations as set forth in Chapter Seven “A” below.
- 4.4 When a future has been issued, the MAOF Clearing House member assumes the following obligations:
 - 4.4.1 To transfer to the Clearing House the future that was written;
 - 4.4.2 To transfer the future that it sold, as referred to in section 2.2, to the Clearing House.
 - 4.4.3 The obligations as set forth in Chapter Seven “A” below.

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5. 5.1 The parties to an option vis-à-vis the MAOF Clearing House are the member that wrote the option, as applicable, or the member that sold the option, and the member that holds the option.
- 5.2 The member of the MAOF Clearing House that wrote an option, that sold an option or that bought an option, whether for itself (nostro) or for its client, is liable to the MAOF Clearing House for carrying out its obligations in respect of that option, and that irrespective of whether or not the client carried out his obligations toward it.
6. 6.1 The parties to a future vis-à-vis the MAOF Clearing House are the members that hold the future.
- 6.2 The member that holds a future, whether for itself (nostro) or for its client, is liable to the MAOF Clearing House for carrying out its obligations in respect of that future, and that irrespective of whether or not the client carried out his obligations toward it.
7. No certificates shall be issued in respect of the issued options and futures; the client of a member through which it carried out transactions in options and futures shall be entitled to receive confirmation thereof from the member.

CHAPTER SEVEN - EXERCISE OF OPTIONS AND THEIR CLEARING

1. On the exercise date, all call options with a settlement price higher than the exercise price and all put options with a settlement price lower than the exercise price shall be exercised.

All options lapse on the exercise date.

2. On the exercise date:
 - a. For the member that holds the option – the right is created to receive from the MAOF Clearing House, in respect of each option, the positive differential amount, all as prescribed in the terms of the option;
 - b. For the member that writes the option – the obligation is created to pay to the MAOF Clearing House, in respect of each option, the positive differential amount, all as prescribed in the terms of the option.
3. The MAOF Clearing House is responsible for payment of the positive differential amount to the holder of the option; the payment shall be made as specified below (and shall hereinafter be known as: “clearing the exercise of options”):
 - 3.1 On the option exercise date, the account of the member that holds the option shall be credited with the amount of the positive differential in respect of his open option position;
 - 3.2 On the option exercise date, the account of the member that writes the option shall be debited with the amount of the positive differential in respect of his open option position;

However, if the exercise date is not a business day, the debits and credits shall be executed on the first business day following the exercise date.

The aforesaid shall be done on every MAOF Clearing House member’s account with the MAOF Clearing House 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 all the aforesaid acts and entering only the credit or debit balance in its account at the MAOF Clearing House.

4. The obligation of the MAOF Clearing House shall expire once the account of the member that holds an option has been credited with the amount of the positive differential. The MAOF Clearing House does not, in any way whatsoever, bear any liability for the obligation of a MAOF Clearing House member toward its clients.
5.
 - 5.1 Clearing the exercise of options shall be carried out separately for each of the member’s accounts.
 - 5.2 Cash settlement in respect of the exercise of options shall be carried out as prescribed in Chapter Five.
6. In respect of their open positions, a member shall credit or debit its clients simultaneously with the crediting or debiting of its account at the MAOF Clearing House in respect of the exercise of options, and an NCHM shall credit or debit its clients in respect of the exercise of options simultaneously with the crediting or debiting of its account by the MAOF Clearing House member through which it clears its transactions.

**CHAPTER SEVEN “A” - CLEARING OF FUTURES AND THEIR
EXPIRATION**

1. All futures expire on the expiration date.
2. 2.1 The MAOF Clearing House is responsible for clearing in respect of futures; the clearing shall be carried out at the end of each trading day and also on the expiration date, by means of debiting and crediting the members that hold futures, as specified below:
 - 2.1.1 The account of a member that buys a future shall be credited in respect of every future bought on that day with the amount of the differential between the settlement price and the transaction price, if the settlement price is higher than the transaction price; in the case of futures, for which a volatility coefficient is defined, the said differential amount shall be multiplied by one hundred times the contract multiplier;
 - 2.1.2 The account of a member that sells a future shall be credited in respect of every future sold on that day with the amount of the differential between the transaction price and the settlement price, if the transaction price is higher than the settlement price; in the case of futures, for which a volatility coefficient is defined, the said differential amount shall be multiplied by one hundred times the contract multiplier;
 - 2.1.3 The account of a member that holds a credit balance of futures from the preceding trading day shall be credited in respect of every future with the amount of the differential between the settlement price and the settlement price on the preceding day, if the settlement price is higher than the settlement price on the preceding day; in the case of futures, for which a volatility coefficient is defined, the said differential amount shall be multiplied by one hundred times the contract multiplier;
 - 2.1.4 The account of a member that holds 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 settlement price on the preceding day and the settlement price, if the settlement price on the preceding day is higher than the settlement price; in the case of futures, for which a volatility coefficient is defined, the said differential amount shall be multiplied by one hundred times the contract multiplier;
 - 2.1.5 The account of a member that buys a future shall be debited in respect of every future bought on that day with the amount of the differential between the transaction price and the settlement price, if the transaction price is higher than the settlement price; in the case of futures, for which a volatility coefficient is defined, the said differential amount shall be multiplied by one hundred times the contract multiplier;
 - 2.1.6 The account of a member that sells a future shall be debited in respect of every future sold on that day with the amount of the differential between the settlement price and the transaction price, if the settlement price is higher than the transaction price; in the case of futures, for which a volatility coefficient is defined, the said

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differential amount shall be multiplied by one hundred times the contract multiplier;

- 2.1.7 The account of a member that holds 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 settlement price on the preceding trading day and the settlement price, if the settlement price on the preceding trading day is higher than the settlement price; in the case of futures, for which a volatility coefficient is defined, the said differential amount shall be multiplied by one hundred times the contract multiplier;
- 2.1.8 The account of a member that holds 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 settlement price and the settlement price on the preceding trading day, if the settlement price is higher than the settlement price on the preceding trading day; in the case of futures, for which a volatility coefficient is defined, the said differential amount shall be multiplied by one hundred times the contract multiplier;

The clearing shall be done 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 all the aforesaid acts and entering only the credit or debit balance in its account at the MAOF Clearing House.

- 2.2 Regarding a future on a hypothetical debt instrument, the provisions of section 2.1 shall be applied at the end of every trading day, except on the delivery date.

On the delivery date, the following shall apply:

- 2.2.1 The account of a TASE Clearing House member that holds a debit balance of futures shall be debited with the debt instrument, in accordance with that stated in the long-term appendix or the medium-term appendix, as applicable.
- 2.2.2 Subject to the debt instrument being received, as specified in section 2.2.1 above, from the member that holds a debit balance of futures, the account of the aforesaid member shall be credited with a cash amount, in accordance with that stated in the long-term appendix or the medium-term appendix, as applicable.
- 2.2.3 The account of a member that holds a credit balance of futures shall be debited with a cash amount, in accordance with that stated in the long-term appendix or the medium-term appendix, as applicable.
- 2.2.4 Subject to a member that holds a credit balance of futures paying the cash amount, as specified in subsection 2.2.3 above, and subject to a member that holds a debit balance of futures transferring the debt instruments, as specified in subsection 2.2.1 above, the account of the member that holds a credit balance of futures at the TASE Clearing House shall be credited with the debt instruments, in accordance with that stated in the long-term appendix or the medium-term appendix, as applicable.

3. The obligation of the MAOF Clearing House shall expire at the end of each trading day and on the expiration date, when the account of a member that holds a future is credited with the amounts specified in sections 2.1.1, 2.1.2, 2.1.3 and 2.1.4 above.

Regarding futures on a hypothetical debt instrument, the obligation of the Clearing House shall expire at the end of every trading day, except on the delivery date, in accordance with that stated in this section above. The Clearing House's obligation shall expire on the delivery date, as specified below:

- 3.1 The obligation of the Clearing House toward the member that holds a credit balance of futures and that has paid a cash amount, as specified in section 2.2.3 above, shall expire upon the debt instruments being transferred to its account at the TASE Clearing House, as specified in section 2.2.4 above.
- 3.2 The obligation of the Clearing House toward the member that holds a debit balance of futures and that has delivered a debt instrument, as specified in section 2.2.1 above, shall expire upon its account being credited with the cash amount, as specified in section 2.2.2 above.
- 3.3 The obligation of the Clearing House toward the member that holds a credit balance of futures and that has not fulfilled its obligations and that has not paid the cash amount on time, as specified in section 9.2.3.3 above, shall expire immediately on the date when the aforesaid member was meant to make the payment but failed to do so as required.
- 3.4 The obligation of the Clearing House toward the member that holds a credit balance of futures and that has not fulfilled its obligations and that has not delivered the debt instrument on time, as specified in section 9.2.3.1 above, shall expire immediately on the date when the aforesaid member was meant to deliver the debt instrument but failed to do so as required.

The MAOF Clearing House does not, in any way whatsoever, bear responsibility for the obligation of a MAOF Clearing House member toward its clients.

4. 4.1 The balances shall be cleared separately for each of the member's accounts.
- 4.2 Cash settlement in respect of futures shall be carried out as prescribed in Chapter Five.
5. In respect of the clearing of futures, a member shall credit or debit its clients simultaneously with the crediting or debiting of its account at the MAOF Clearing House in accordance with the aforesaid, and an NCHM shall credit or debit its clients in respect of the clearing of futures simultaneously with the crediting or debiting of its account by the MAOF Clearing House member through which it clears its transactions.
6. Crediting and debiting in respect of futures expiration shall be carried out on the futures' expiration date.

However, should the expiration date fall on a non-business day, then the crediting and debiting shall be carried out on the first business day following the expiration date.

**CHAPTER SEVEN “B” - EARLY TERMINATION OF MAOF
TRANSACTIONS, SET OFFS AND LIENS**

1. Early termination of MAOF transactions

- 1.1 1.1.1 a. (1) Without derogating from any right held by the MAOF Clearing House under the By-Laws or any law, should one or more of the events specified in section 1.1.2 occur, then the MAOF the Clearing House Board of Directors is entitled (but not compelled) to decide at its discretion to effect an early termination of all MAOF transactions to which a member is a party, either by way of unwinding the transactions or by way of altering the member’s open positions or closing them, including, but without derogating from the generality of the above, by way of entering into opposing trades (hereinafter, in this Chapter: “early termination”), and all at the sole discretion of the Board of Directors.
- (2) The Chairman of the Board of Directors shall notify the Governor of the Bank of Israel of the Board of Directors’ intention to hold deliberations regarding an abovementioned early termination and shall give the Bank of Israel the opportunity to express its position on this matter.

However, if the Board of Directors is of the opinion that taking the decision cannot be delayed, it may decide on early termination, even before giving the Bank of Israel the opportunity to express its position, provided that the Bank of Israel is given the opportunity to express its position after the decision has been taken.

- b. For the sake of clarity it is hereby stated that, when the Board of Directors of the MAOF Clearing House has decided as stipulated in subsection a. above, then the actions undertaken (including the alteration or closure of some or all of the member’s open positions, including – and without derogating from the generality of the above – the sale, transfer from the member’s account or acquisition for the member’s account of options or futures) shall be carried out by the MAOF Clearing House, including by persons authorized by it (hereinafter: “the authorized persons”), as specified in section 3 below, all in amounts, and according to terms, in the manner and the order set by the MAOF Clearing House or by the authorized persons, as applicable, at their discretion (all the actions mentioned above and any part thereof shall be known hereinafter in this Chapter as: “the actions”).

- c. In these By-Laws, the terms specified below shall have the meaning stated next to them:

“MAOF transactions to which the member is party” – whether undertaken on its own behalf (nostro) or on behalf of its clients, including an NCHM for whose transactions the member is liable and the clients of said NCHM;

“The member’s open positions” – whether on its own behalf (nostro) or on behalf of its clients, including an NCHM for whose transactions the member is liable and the clients of said NCHM;

“The member’s account” – the member’s proprietary trading (nostro) account and also the member’s client account, including an NCHM for whose transactions the member is liable and the clients of said NCHM.

- d. Upon early termination of MAOF transactions to which a member is a party, the value of the obligations or rights of one party (the member or the MAOF Clearing house, as applicable) toward the other party (the MAOF Clearing House or the member, as applicable) shall be the value of its obligations or rights minus the obligations or rights of the other party toward it.
- e. Should the MAOF Clearing House Board of Directors decide to impose early termination on all MAOF transactions to which a member is a party, as stipulated in subsection a. above, the MAOF Clearing House or the authorized persons, as applicable, shall prepare a calculation of the value of the member’s and the MAOF Clearing House’s respective obligations and rights, at the time of the early termination, according to the closing price on the day the calculation is prepared (hereinafter: “the calculation date”) of the options or futures, as applicable, to which the member is party. Should the calculation date fall on a day on which no trading in any options or futures took place, then the calculation shall be prepared according to the last closing price set prior to the calculation date or according to methods employed in valuing the said options or futures, as applicable, for the purpose of calculating the margin required from members by the MAOF Clearing House, as stipulated in Chapter Eight of the By-Laws, and as determined by the MAOF Clearing House, for this purpose.
- f. Should the early termination of MAOF transactions occur after the date set for the appraisal of debt claims under the law (hereinafter: “the reference date”), the value of the parties’ obligations and rights shall be calculated, as stipulated above, as of the reference date. In such cases, the member undertakes to compensate the MAOF Clearing House for any debt incurred by, and any damage, cost or expense caused the MAOF Clearing House as a result of that stipulated above.
- g. Without derogating from the provisions of this Chapter, in cases in which an opposing trade is carried out, whether under the provisions of subsection 1.1.1.a above or at the member’s request, the following terms shall apply for each original MAOF transaction and each opposing trade:
 - 1) Execution of the opposing trade shall unwind the original MAOF transaction, in a manner that two transactions are considered one transaction or in a manner that the obligations and rights of the parties from both transactions shall be intertwined and mutually contingent or in a manner that the obligations and rights of the parties from both transactions shall set off each other. As stipulated above, the value of the obligations or rights of one party toward the other shall equal the value of the obligations or rights from both transactions minus the value of obligations or rights of the other party toward the first party, from both transactions.

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- 2) It is hereby clarified that that stipulated in subsection g 1) above, shall be valid, even if it does not find expression in the manner in which the transactions are recorded in the MAOF Clearing House's books, and regardless of that stipulated in the requests to carry out MAOF transactions.

1.1.2 And these are the events:

- a. If the member shall fail to fulfill its obligations toward the MAOF Clearing House to provide additional margin, as required under the By-Laws;
- b. If the member shall fail to pay the MAOF Clearing House any sum that is due from it at the time set for its payment, including – but without derogating from the generality of the aforesaid – any amount whose immediate payment has been called for or any obligation stemming from the alteration or closure of the member's open positions, or if the member shall breach any obligation toward the MAOF Clearing House under the By-Laws or by virtue of any obligation the member may have toward the MAOF Clearing House, or under any statute, including a non-monetary obligation;
- c. If, in the opinion of the Board of Directors of the MAOF Clearing House, there shall be any suspicion that the member might not fulfill its obligations, or any part thereof, or might not pay its debts or any part thereof;
- d. If the member's membership in the MAOF Clearing House shall be interrupted or suspended or canceled or if it shall be decided to temporarily interrupt the provision of clearing services to the member or if there are any grounds for interrupting, suspending or canceling its membership as aforesaid or for temporarily interrupting the provision of clearing services to the member;
- e. If the license needed for the member to conduct its business or part thereof shall be suspended or canceled;
- f. If an authorized administrator or a special supervisor shall be appointed for the member or if the Supervisor of Banks shall take any other measures against the member under Sections 8C or 8D of the Banking Ordinance, 1941 or under any other statute that replaces them;
- g. If a petition for liquidation or for the appointment of a temporary preliminary liquidator, a temporary liquidator, a receiver or a temporary receiver shall be filed against the member, or if a petition shall be filed against the member for the opening of economic rehabilitation proceedings or for a stay of proceedings or if the member shall decide to go into voluntary liquidation;
- h. If the member's business shall be closed or substantively reduced, or if the member's business activity or a substantive part thereof shall be discontinued or if the member shall sell a substantive part of its property;
- i. If, without the MAOF Clearing House's consent, the member shall grant any collateral to another creditor, in violation of its commitments under either the fixed charge agreement or the floating charge agreement;

- j. If early repayment of any debt shall be demanded of the member by any other creditor;
 - k. If a lien shall be imposed on the collateral deposited in the margin accounts or any part thereof or on any material asset of the member, or if a receiver shall be appointed in order to realize any part thereof, or if any repossession action shall be taken in connection with any of the said assets;
 - l. If it shall be revealed that any declaration by the member is not correct, which – in the judgment of the MAOF Clearing House’s Board of Directors – might endanger the member’s ability to fully fulfill its obligations toward the MAOF Clearing House;
 - m. If any change shall occur in the control of the member, in violation of the By-Laws, or if one or more of the events specified in this section 1.1.2 above shall occur in respect of a manager, business manager, member of the senior executive staff or partner of the member;
 - n. If an event that is similar in essence to one of the events mentioned in this section 1.1.2 above shall occur.
- 1.2 1.2.1 The MAOF Clearing House shall inform the member one business day in advance that the actions are to be carried out.
- 1.2.2 Notwithstanding the provisions of section 1.2.1 above:
- a. If the MAOF Clearing House believes that – in the circumstances of the case – the actions must be carried out immediately, including – but without derogating from the generality of the aforesaid – if the MAOF Clearing House believes that there is reason to suspect that the MAOF Clearing House shall be unable to meet its obligations or any part thereof, or that the ability of the MAOF Clearing House to collect the member’s obligations toward the MAOF Clearing House shall be impaired, or if other conditions shall exist, which shall make it necessary – in the opinion of the MAOF Clearing House – to immediately alter or close open positions or any part thereof, then
 - b. The MAOF Clearing House shall have the right to carry out the actions, as stipulated in section 1.1 above, even without giving advance notice thereof to the member, on condition that the member be given notice thereof at the earliest opportunity, in which shall be specified the nature of the actions undertaken.
- 1.3 Without derogating from that stated above, the member shall bear all the payments for which it is liable, as stipulated above in this Chapter, as well as all the payments expenditures, premiums and fees pertaining to and/or involved in executing the actions stipulated in section 1.1.1 above, and those amounts shall for all intents and purposes be added to the total of the member’s obligations toward the MAOF Clearing House and be considered an integral part thereof; the MAOF Clearing House shall debit the cash account of the member with all the sums for whose payment the member is liable, as stipulated above. These payments shall be paid by the member, immediately and without delay, in a manner to be determined for this purpose by the MAOF Clearing House or as specified in Chapter Five above, as shall be decided by the MAOF Clearing House.

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2. Irrevocable power of attorney

- 2.1 2.1.1 a. In order to execute the actions referred to in section 1.1.1 above and without derogating from a member's obligations and the MAOF Clearing House's rights under the By-Laws, each of the members hereby gives an authorization and an irrevocable power of attorney to the MAOF Clearing House to execute the actions referred to in section 1.1.1 above and to debit the member's cash account in respect of their execution;
- b. In order to remove any doubt, it is hereby clarified that the authorization and power of attorney granted by the member, as stipulated above, authorize the MAOF Clearing House to alter the open positions held by the member or to close them, entirely or partially, including – but without derogating from the generality of the above – to alter or close open positions held for the member's clients including an NCHM for whose transactions and clients the member is liable, as specified in section 1.1.1 above.
- c. The aforementioned authorization and power of attorney are irrevocable, since the rights of the MAOF Clearing House depend on them, and they shall continue to be valid and shall not be annulled, even if the member is, for all intents and purposes, disqualified, in receivership or in liquidation.
- 2.1.2 In order to remove any doubt, it is hereby clarified that every member is deemed to have agreed to all provisions of this Chapter Seven "B" and to have given the above authorization and power of attorney by virtue of its membership in the MAOF Clearing House and, as long as it is a member thereof, without the need to take additional action of any kind.
- 2.2 it is hereby clarified that the above stipulations of this Chapter Seven "B" do not obligate the MAOF Clearing House to take any action under the above authorization and power of attorney and it does not derogate from any right of the MAOF Clearing House under the By-Laws or under any statute, and that the MAOF Clearing House shall have the right not to act under the above authorization and power of attorney and to act in any other manner, as it shall deem proper, and that includes – but without derogating from the generality of the aforesaid – the right of the MAOF Clearing House to realize collateral given to it under the By-Laws, all at the discretion of the MAOF Clearing House.

3. Delegation of authority

- 3.1 The MAOF Clearing House may (but is not obligated to) delegate some of its powers, as is specified in this Chapter Seven "B", to any member or to a committee composed of – inter alia – representatives of members, experts or advisers or any third party whatsoever, and it may also employ advisers, experts or any third parties and authorize them to perform the acts or any part thereof for the execution of its duties pursuant to this Chapter, all at the discretion of the MAOF Clearing House.
- 3.2 In order to remove any doubt, it is hereby clarified that the Board of Directors of the MAOF Clearing House does not have the right to delegate those powers granted it that are specified in sections 1.1.1a., 1.1.2c and 1.1.2.1 above.

4. **Liens and set off**

Without derogating from any right whatsoever of the MAOF Clearing House under the By-Laws and under any statute:

4.1 As long as a member has any obligation toward the MAOF Clearing House, including – but without derogating from the generality of the aforesaid – a conditional obligation, an obligation that is uncertain or an obligation the date of payment of which has not yet fallen due, then the MAOF Clearing House shall have the right to retain in its possession any asset or right due from it to the member, including – but without derogating from the generality of the aforesaid – any asset given to the Clearing House as collateral, and it may also realize – by itself or in some other manner that shall be determined by it – the assets retained by it, sell them and use the proceeds therefrom to settle the member's obligation toward it.

4.2 4.2.1 In addition to the aforesaid and without derogating from the right of lien, the MAOF Clearing House shall have the right to set off any obligation of a member toward it, of any kind whatsoever, against any obligation of the MAOF Clearing House toward the member, of any kind whatsoever, including – but without derogating from the generality of the aforesaid – any amounts due to the member from the MAOF Clearing House in any manner whatsoever, on any grounds whatsoever, as part of any transaction whatsoever or according to any account whatsoever or against the collateral that was given to the MAOF Clearing House or the proceeds therefrom or amounts received from their realization or any part thereof.

4.2.2 The set off shall be deemed to have been carried out if the member does not pay the MAOF Clearing House any amount due from it on the date set for its payment, also when one or several of the events occur that entitle the MAOF Clearing House to call for the immediate payment of any debt, and that without any need to serve any notice on the member and even if the set off has not yet been carried out in the books of the MAOF Clearing House.

5. **Exemption from liability**

The Board of Directors of the MAOF Clearing House and the MAOF Clearing House and anyone on its behalf (including those to whom powers were delegated, as stipulated in section 3 above) shall be exempt from any liability for any act of commission or omission performed in good faith in the course of performing the actions stipulated in section 1.1.1 above, including – but without derogating from the generality of the aforesaid – any act of commission or omission performed by them, in the course of exercising their judgment, including anything pertaining to the delegation of powers and to the performance of the actions stipulated in section 3 above, or anything pertaining to the altering or closing of positions, the manner of execution, the arrangements made for this matter and everything involved with that stated above.

CHAPTER EIGHT - MARGIN

1. General

- 1.1 Without derogating from the provisions of Chapter Two above and in addition to that stated therein:
- 1.1.1 A member shall give the MAOF Clearing House and charge in its favor margin as guaranty that all the member's obligations toward the MAOF Clearing House shall be fulfilled (hereinafter: "margin for fulfillment of the member's obligations")
- 1.1.2 At least 35% of the margin amount required pursuant to the provisions of this chapter, will be provided by the member in the form of cash that will be deposited in the margin accounts at the Bank of Israel, as defined in this chapter below.
- 1.1.3 The value of the margin, as specified in section 7 below shall not – at any time – be less than the amount of margin required under the provisions of this Chapter, all as shall be specified below.
- 1.2 The client of a non-bank member shall give and charge in the member's favor margin for the fulfillment of all the client's obligations toward the member in respect of its activity in options and futures, all as shall be specified below.

2. Calculating the amounts of margin for fulfillment of the member's obligations

2.1 **The positions according to which the margin shall be calculated at the beginning of the trading day and in the course of the trading day**

- 2.1.1 The margin shall be calculated based on the open positions of each client separately, for each option and for each future, and based on the open positions in each of the options and in each of the futures in the nostro account, all in accordance with the report specified in Chapter Nine and by the calculation that shall be specified below.
- 2.1.2 If a member has not reported open positions, as required in Chapter Nine, then all its sales of options on that trading day shall be deemed the writing of options, and all its purchases and sales of futures on that day shall be deemed the writing of futures, and the margin shall be calculated based thereon.
- 2.1.3 If a member has not reported open positions, as required in Chapter Nine, in the course of two successive trading days, then on the said second day it shall be deemed – for all intents and purposes – a member that is not fulfilling its obligations toward the MAOF Clearing House.

2.2 **The calculation of margin at the beginning of a trading day in respect of transactions in derivatives, for which the underlying asset is a basket index, in derivatives for which the underlying asset is an unlinked fixed-rate government bond (a Shahaar bond) or in derivatives for which the underlying asset is a foreign currency exchange rate**

- 2.2.1 **The margin required shall be calculated for each of the 44 scenarios specified in Appendix One, in accordance with the provisions stipulated in section 2.2.2 below**

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The parameters for calculating the margin, which are presented in the scenarios in Appendix One, are as specified below:

2.2.1.1 The closing index price of the basket parameter or the closing price of the share parameter or the last-known foreign currency exchange rate at the close of trade parameter

For an underlying asset that is a basket index – the closing index price of the basket.

For an underlying asset that is a share – the closing price of the share;

For an underlying asset that is a foreign currency exchange rate – the last-known foreign currency exchange rate at the close of trade.

For the purposes of this section –

“The last-known foreign currency exchange rate at the close of trade” – the average foreign currency exchange rate for inter-bank trading as published on the Reuters system adjacent to the close of trade in derivatives. If it shall not be published or if it shall not be possible to obtain the foreign currency exchange rates from the Reuters system, as stated, then it shall be the last-known representative exchange rate published by the Bank of Israel.

Notwithstanding the aforesaid:

- 1) If the underlying asset is the dollar exchange rate, then the dollar exchange rate used in the set of scenarios (risks array) calculated prior to the opening of trade on the first trading day after the day on which trading took place on TASE, but on which no dollar exchange rate was published by the Bank of Israel, shall be the average of the three following synthetic exchange rates:
 - a. The synthetic exchange rate implied in the closing exchange rates of the previous trading day for call options and put options with the closest exercise date, the exercise price of which equals the synthetic exchange rate derived from them, rounded off to the nearest number that ends in five or ten;

If there are several pairs of options that meet the above criterion, then the synthetic exchange rate implied in the closing exchange rates of the aforesaid pair of options with the greatest trading turnover on the day on which the said closing exchange rates were determined shall be the dollar exchange rate;
 - b. The synthetic exchange rate implied in the closing exchange rates of the previous trading day for call options and put options with the closest exercise date, the exercise price of which is five agorot (NIS 0.05) lower than the exercise price of the options mentioned in subsection a. above;
 - c. The synthetic exchange rate implied in the closing exchange rates of the previous trading day for call options and put options

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with the closest exercise date, the exercise price of which is five agorot (NIS 0.05) higher than the exercise price of the options mentioned in subsection a. above.

For the purposes of this section, the synthetic dollar exchange rates shall be calculated according to the following formula, to an accuracy level of two decimal places:

$$S = \frac{(C - P) * e^{rd*t}}{100} + \frac{X * e^{rd*t}}{e^{rs*t}}$$

Where:

S = The synthetic dollar exchange rate, in agorot.

C = The closing price of a call option with an exercise price of X, at the closest exercise date, as stipulated in Part Three of the TASE Rules.

P = The closing price of a put option with an exercise price of X, at the closest exercise date, as stipulated in Part Three of the TASE Rules.

X = The exercise price.

rs = Annual shekel interest rate, as stated in paragraph 2.2.1.5 below.

rd = Annual dollar interest rate, as stated in paragraph 2.2.1.6 below.

t = The time remaining until exercise, in terms of years

- 2) if the underlying asset is the euro exchange rate, then the euro exchange rate used in the risks array calculated prior to the opening of trade on the first trading day after the day on which trading took place on TASE, but on which no foreign currency exchange rate was published by the Bank of Israel (hereinafter: "the relevant trading day") shall be the product of the dollar exchange rate used in the risks array, as specified in section 1) above, multiplied by the last dollar/euro exchange rate published.

However, if, in the opinion of the Director of Trade, a substantial change occurred in the dollar/euro market after the Bank of Israel published the foreign currency exchange rates on the last business day preceding the relevant trading day, then the euro exchange rate used in the risks array calculated prior to the opening of trade on the first trading day following the relevant trading day shall be the product of the dollar exchange rate in the risks array, as specified in section 1) above, multiplied by the last dollar/euro exchange rate published on the EUR CRNCY screen of the Bloomberg Company.

However, if – for any reason – it shall not be possible to obtain the last dollar/euro exchange rate from the screens of the Bloomberg Company as stated, the above exchange rate shall be taken from the

screens of Reuters.

- 3) if the underlying asset is a share, the theoretical price used in the risks array calculated prior to the beginning of trading on an ex-corporate action day, shall be the base price of the share.

2.2.1.2 The price scan range (maximum price fluctuation) parameter

- a. The Board of Directors of the MAOF Clearing House shall determine the methodology for calculating the price scan range (i.e. maximum price fluctuation) parameter. In accordance with the aforesaid methodology, the Manager of the MAOF Clearing House shall determine the price scan range parameter and shall alter it from time to time. The decision of the Manager of the MAOF Clearing House shall take effect on the date it was decided upon within the framework of the Manager's decision, as described above.
- b. The methodology for calculating the price scan range parameter, which shall be determined as stated by the Board of Directors, shall – inter alia:
 - 1) Be based on generally accepted statistical testing techniques for estimating losses – including the VaR model;
 - 2) Reflect a confidence interval of at least **99.5%**;
 - 3) Based on the expected price scan range reflected over several look-back periods, of which one or more covers at least the recent 12 months;
 - 4) Cover – at the set confidence interval – the current exposure arising from activity of Clearing House members and shall reflect a variety of market situations and scenarios.
- c. The price scan range parameter shall be calculated based on the latest market data and, to this end, it shall be updated at least once a month, and more frequently when necessary, as well as being based on the tests and events prescribed in the methodology determined by the Board of Directors.
- d. The price scan range parameter, as well as any change therein, shall be announced to the members of the MAOF Clearing House and to the public on TASE's website – the address of which is: tase.co.il, and on the MAYA website – the address of which is: maya.tase.co.il.
- e. Immediately upon the parameter having been determined as aforesaid or otherwise, the margin shall be calculated in accordance with the new parameter and the members shall be obligated to adjust the margin deposited by them, on the date that shall be specified in the notice.

2.2.1.3 Annual volatility (standard deviation) parameter

The annual volatility shall be calculated as follows:

- a. If the underlying asset is a basket index, then the annual volatility shall be calculated according to the average implied volatility in the monthly option prices, as these are determined in the Profile of Derivatives with regard to options on the TA-35 Index, and whose exercise date is the closest, as specified below:
 - 1) The call options and the put options with exercise prices closest to the closing index price of the basket;
 - 2) The two put options with the closest exercise prices lower than the exercise prices of the options stipulated in section 1) above;
 - 3) The two call options with the closest exercise prices higher than the exercise prices of the options stipulated in section 1) above.

Notwithstanding the aforesaid, on the four trading days preceding the day on which the exercise settlement price is set, the annual volatility shall be calculated according to the average volatility implied in the monthly option prices, as stipulated in sections 1)-3) above, at the two closest exercise dates.

On the trading day on which the exercise settlement price is set, the annual volatility shall be calculated according to the average volatility implied in the monthly option prices, as stipulated in sections 1)-3) above, the exercise date of which is the next exercise date following the closest exercise date.

However, if – on the day on which the annual volatility parameter is updated – trading did not take place in the options comprising the basis for the calculation of the annual volatility parameter, or in some of those options, or if the Director of Trade believes that the trading volume of some or all of the options was low, then the Director of Trade is entitled to set the annual volatility parameter in the range between the historical annual 120-day volatility of the equity index and the volatility implied in the prices of those of the above options for which trading did take place on the day for updating the parameter.

- b. If the underlying asset is a foreign currency exchange rate, then the annual volatility shall be calculated according to the average implied volatility in the option prices, as these are determined in the Profile of Derivatives with regard to options on the dollar exchange rate, and whose exercise date is the closest, as specified below:
 - 1) The call options and the put options with exercise prices closest to the last-known foreign currency exchange rate at the close of trading, as specified in section 2.2.1.1 above;

- 2) The two put options with the closest exercise prices lower than the exercise prices of the options stipulated in section 1) above;
- 3) The two call options with the closest exercise prices higher than the exercise prices of the options stipulated in section 1) above.

Notwithstanding the aforesaid, on the four trading days preceding the day on which the exercise settlement price is set, the annual volatility shall be calculated according to the average volatility implied in the monthly option prices, as stipulated in sections 1)-3) above, at the two closest exercise dates.

On the trading day on which the exercise settlement price is set, the annual volatility shall be calculated according to the average volatility implied in the option prices, as stipulated in sections 1)-3) above, the exercise date of which is the next exercise date following the closest exercise date.

However, if – on the day on which the annual volatility parameter is updated – trading did not take place in the options comprising the basis for the calculation of the annual volatility parameter, or in some of those options, or if the Director of Trade believes that the trading volume of some or all of the options was low, then the Director of Trade is entitled to set the annual volatility parameter in the range between the historical annual 120-day volatility of the foreign currency exchange rate and the volatility implied in the prices of those of the above options for which trading did take place on the day for updating the parameter. The Director of Trade may also – if he deems it appropriate – set the volatility in these instances on the basis of the volatility quoted in the trading rooms of the banks that are members of the MAOF Clearing House.

- c. If the underlying asset is a share, then the annual volatility shall be calculated, on the updating date, according to the average implied volatility in the option prices for the closest exercise date, as specified below:
 - 1) The call options and the put options with exercise prices closest to the closing price of the share;
 - 2) The two put options with the closest exercise prices lower than the exercise prices of the options stipulated in section 1) above;
 - 3) The two call options with the closest exercise prices higher than the exercise prices of the options stipulated in section 1) above.

Notwithstanding the aforesaid, on the four trading days preceding the day on which the exercise settlement price is set, the annual volatility shall be calculated according to the average volatility implied in the monthly option prices, as stipulated in sections 1)-3) above, at the two closest exercise dates.

On the trading day on which the exercise settlement price is set or on the expiration date, as applicable, the annual volatility shall be calculated according to the average volatility implied in the option prices, as stipulated in sections 1)-3) above, the exercise date of which is the next exercise date following the closest exercise date.

However, if – on the day on which the annual volatility parameter is updated – trading did not take place in the options comprising the basis for the calculation of the annual volatility parameter, or in some of those options, or if the Director of Trade believes that the trading volume of some or all of the options was low, then the Director of Trade is entitled to set the annual volatility parameter in the range between the historical annual 120-day volatility of the share and the volatility implied in the prices of those of the above options for which trading did take place on the day for updating the parameter.

2.2.1.4* Volatility scan range parameter

The volatility scan range shall be as specified below:

- a. If the underlying asset is a basket index – one fifth of the annual volatility of the basket index, rounded off to the nearest whole percentage point, or 4%, whichever is the greater;
- b. If the underlying asset is a foreign currency exchange rate – one fifth of the annual volatility of the foreign currency exchange rate, rounded off to the nearest whole percentage point, or 2%, whichever is the greater;
- c. If the underlying asset is a share, except the shares specified in section d below, the volatility scan range shall be as specified in the table below:

Volatility Scan Range	Underlying Asset
One fifth of the annual volatility of the share price, rounded off to the nearest whole percentage point, or 5%, whichever is the greater	The share of Teva Pharmaceutical Industries Ltd. (hereinafter: “Teva shares”) The share of Israel Chemicals Ltd. (hereinafter: “ICL shares”) The share of Leumi LeIsrael Ltd. (hereinafter: “Leumi shares”) The share of Israel Chemicals Ltd.

* Options on the shares of: Nova shares, Enlight shares, Shapir shares, Shikun & Binui shares, Clal Insurance shares, Ashtrom shares, Energix shares, Migdal Insurance shares, Ratio Participation Units, Isracard shares, Menora shares, Electra shares, Direct Finance shares, Azorim shares, Aura shares and Altshuler shares, have not yet been launched

Volatility Scan Range	Underlying Asset
	(hereinafter: "ICL shares")
	The share of Bank Hapoalim Ltd. (hereinafter: "Poalim shares")
	The share of Israel Discount Bank Ltd. (hereinafter: "Discount shares")
	The share of Mizrahi-Tefahot Bank Ltd. (hereinafter: "Mizrahi shares")
	The share of Bezeq – The Israel Telecommunication Corp. Ltd. (hereinafter: "Bezeq shares")
	The share of Elbit systems Ltd. (hereinafter: "Elbit System shares")
	The share of The First International Bank of Israel Ltd. (hereinafter: "FIBI shares")
	The share of Gazit-Globe Ltd. (hereinafter: "Gazit-Globe shares")
	The share of Delek Group Ltd. (hereinafter: "Delek Group shares")
	The participation unit of Delek Drilling LP (hereinafter: "Delek Drilling participation units")
	The participation unit of Isramco Negev 2 LP (hereinafter: "Isramco Negev participation units")
	The share of Melisron Ltd. (hereinafter: "Melisron shares")
	The share of Nice Systems Ltd. (hereinafter: "Nice shares")
	The share of Azrieli Group Ltd. (hereinafter: "Azrieli Group shares")
	The share of Paz Oil Company Ltd. (hereinafter: "Paz Oil shares")
	The share of Strauss Group Ltd. (hereinafter: "Strauss Group shares")
	The share of Harel Insurance Investments and Financial Services Ltd. (hereinafter: "Harel Investments

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Volatility Scan Range	Underlying Asset
	shares”)
	The share of Shufersal Ltd. (hereinafter: “Shufersal shares”).
	The share of The Phoenix Holdings Ltd. (hereinafter: “The Phoenix Holdings shares”)
	The share of Oil Refineries Ltd. (hereinafter: “ORL shares”)
	The share of Alony-Hetz Properties & Investments Ltd. (hereinafter: “Alony-Hetz shares”)
One fifth of the annual volatility of the share price, rounded off to the nearest whole percentage point, or 6%, whichever is the greater	The share of The Israel Corporation Ltd. (hereinafter: “Israel Corporation shares”)
	The share of Partner Communications Company Ltd. (hereinafter: “Partner shares”)
	The share of Clal Insurance Enterprises Holdings Ltd. (hereinafter: “Clal Insurance shares”)
	The share of Migdal Insurance & Financial Holdings Ltd. (hereinafter: “Migdal Insurance shares”)
	The share of Big Shopping Centers Ltd. (hereinafter: “Big shares”)
One fifth of the annual volatility of the share price, rounded off to the nearest whole percentage point, or 7%, whichever is the greater	The share of Enlight Renewable Energy Ltd. (hereinafter: “Enlight shares”)
	The share of Shikun & Binui Ltd. (hereinafter: “Shikun & Binui shares”)
	The share of Menora Mivtachim Holdings Ltd. hereinafter: “Menora shares”)
One fifth of the annual volatility of the share price, rounded off to the nearest whole percentage point, or	The share of Cellcom Israel Ltd. (hereinafter: “Cellcom shares”)
	The share of Nova Ltd. (hereinafter: “Nova shares”)

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Volatility Scan Range	Underlying Asset
8%, whichever is the greater	<p>The share of Energix- Renewable Energies Ltd. (hereinafter: "Energix shares")</p> <p>The Participation Unit of Ratio Energies- Limited Partnership (hereinafter: "Ratio Participation units")</p> <p>The share of Electra Real Estate Ltd. (hereinafter: "Electra shares")</p> <p>The share of Azorim- Investment, Development & Construction co. Ltd. (hereinafter: "Azorim shares")</p>
One fifth of the annual volatility of the share price, rounded off to the nearest whole percentage point, or 10%, whichever is the greater	<p>The share of Aura Investments Ltd. (hereinafter: "Aura shares")</p>

- d. For the shares specified below, the volatility scan range shall be calculated as follows: the annual volatility of the share price minus 1 percentage point. The shares are:
- The share of Shapir Engineering and Industry Ltd. (hereinafter: "Shapir shares")
 - The share of Ashtrom Group Ltd. (hereinafter: "Ashtrom shares")
 - The share of Isracard Ltd. (hereinafter: "Isracard shares")
 - The share of Tel Aviv Stock Exchange Ltd. (hereinafter: "TASE shares")
 - The share of Direct Finance of Direct Group (2006) Ltd. (hereinafter: "Direct Finance shares")
 - The share of Altshuler Shaham Finance Ltd. (hereinafter: "Altshuler shares")

2.2.1.5 Annual shekel interest rate parameter

The annual shekel interest rate shall be calculated as the average of interest rates, on an annual basis, for all short-term loan series with a redemption range of 60-120 days, on the three days preceding the updating date, rounded off to the nearest tenth of a percentage point.

2.2.1.6 Annual foreign currency interest rate parameter

2.2.1.6.1 The annual dollar interest rate shall be calculated at the SOFR (Secured Overnight Financing Rate) interest rate, as published by the Federal Reserve, for a one-month period, according to the CME interest curve.

2.2.1.6.2 The annual euro interest shall be calculated at the €STR (Euro Short-Term Rate), as published by the Central European Bank, for a one-month period.

The foreign currency interest rates are rounded off to the nearest tenth of a percentage point.

The annual foreign currency interest rate parameter and the annual shekel interest rate parameter shall be updated once a week, on the last trading day of the week.

The volatility parameter of the equity indices, of the shares, of the Shahaar government bonds, and of the foreign currency exchange rates and the volatility scan range parameter shall be updated on every trading day.

A notice regarding every aforesaid updating shall be published.

2.2.2 The amount of margin required from every member shall be set until the beginning of each trading day, and that in the following manner:**The theoretical value of an option**

2.2.2.1 The theoretical value of each option for each of the scenarios set shall be calculated using the Black and Scholes model. Notwithstanding the aforesaid, the predetermined extreme case (stress testing) scenarios, will be determined by the theoretical value.

- a. 35% of the theoretical value according to the Black and Scholes model;
- b. In spite of the above said, on the date on which the expiration day occurs, the theoretical value of any option expiring on that date is determined as the amount of the positive differential on the option.

The theoretical value of a future

2.2.2.2 The theoretical value of each future shall be determined in a manner that the calculation shall relate to each future as a combination of a call option and a put option, as specified below:

- a. A long future – a long call option and a short put option;
- b. A short future - a short call option and a long put option.

The theoretical value of all the call options and put options referred to in sections a. and b. above shall be calculated in the manner in which the theoretical value of options is calculated, as articulated in subsection 2.2.2.1 above.

For the purpose of the above calculation, the exercise price of the above

options shall be the settlement price of the future, divided by the underlying asset multiplier, and the exercise date of said options shall be the expiration date of the future.

Notwithstanding the aforesaid, on the date on which a future is first traded, the exercise price of the aforesaid options shall be as stipulated below:

$$x = s[(1 + r)^t]$$

Where:

x – The exercise price of the options;

s – The closing index price or the last-published foreign currency exchange rate;

r – The annual shekel interest or the differential between the annual shekel interest and the annual foreign currency interest, as applicable;

t – The time remaining until expiration, in terms of years.

2.2.2.3 CANCELLED.

2.2.2.4 CANCELLED.

The market value of an option and the market value of a future

2.2.2.5 The market value of every option and the market value of every future shall be determined as follows:

- a. The market value of an option shall be the closing price of the option as prescribed in section 4 of Chapter Six of the guidelines pursuant to Part Three of the [TASE] Rules.

Notwithstanding the aforesaid, on the date on which an option is first traded and on the trading day following a trading day on which the closing price for the option is set according to the theoretical calculation as stated in section 4.A.3) of Chapter Six of the guidelines pursuant to Part Three of the [TASE] Rules, the market value of the option shall be determined in accordance with the provisions of section 2.2.2.1 above;

- b. The market value of a future shall be the closing price of the future as prescribed in section 4 of Chapter Six of the guidelines pursuant to Part Three of the [TASE] Rules. Notwithstanding the aforesaid, on the date on which a future is first traded, the market value of the future shall be determined in accordance with the provisions of section 2.2.2.2 above.

The market price of a TA-35 Index basket unit

2.2.2.6 CANCELLED.

2.2.2.7 CANCELLED.

2.2.3 Value of the client's portfolio and the required amount of margin

For the purpose of this section –

“Client” – other than the client of an NCHM and an NCHM acting through the member.

The theoretical value of a client's portfolio

2.2.3.1 The total theoretical value of each of the portfolios of the member's clients for each of the scenarios set shall be determined as follows:

- The theoretical value of each option in the client's portfolio, as determined for that scenario, shall be multiplied by the balance of that option in the portfolio;
- The theoretical value of each future in the client's portfolio, as determined for that scenario, shall be multiplied by the balance of that future in the portfolio.

The amount obtained by adding the aforesaid products shall constitute the theoretical value of the client's portfolio for that scenario.

Market value of a client's portfolio

2.2.3.2 The total market value of each of the portfolios of the member's clients shall be determined as follows:

- The market value of each option in the client's portfolio shall be multiplied by the balance of that option in the portfolio;
- The market value of each future in the client's portfolio shall be multiplied by the balance of that future in the portfolio.

The amount obtained by adding the aforesaid products shall constitute the market value of the client's portfolio.

The amount of margin required from a member in respect of each client's portfolio

2.2.3.3 The amount of margin required from a member in respect of each client's portfolio shall be determined according to the amount obtained under section a. below, as an absolute number, or according to the amount obtained under section b. below, as an absolute number, whichever is the greater:

- a. The market value of the client's portfolio, calculated in accordance with section 2.2.3.2 above, or zero, whichever is the lesser;
- b. The theoretical value of the client's portfolio in the scenario, for which the result of the calculation under section 2.2.3.1 above yields the negative number with the highest absolute value.

2.2.4 The value of all portfolios of a member's clients and the amount of margin required

For the purpose of this section –

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“Client” – other than the client of an NCHM and an NCHM acting through the member.

The total theoretical value of all the portfolios of a member’s clients

2.2.4.1 The total theoretical value of all the portfolios of the member’s clients for each of the scenarios set shall be determined as follows:

The said value shall be determined by way of totaling – for each scenario separately – the theoretical values of all the portfolios of the member’s clients with negative theoretical values in that scenario.

Total market value of all portfolios of a member’s clients

2.2.4.2 The total market value of all the portfolios of the member’s clients shall be determined as follows:

The said value shall be determined by way of totaling the total market values of the portfolios of the member’s clients with negative market values under section 2.2.3.2.

The amount of margin required from the member in respect of all its client’s portfolios

2.2.4.3 The amount of margin required from a member in respect of all its clients shall be determined according to the amount obtained under section a. below, as an absolute number, or the amount obtained under section b. below, as an absolute number, whichever is the greater:

- a. The amount of the market value calculated in accordance with section.2.4.2, or zero, whichever is the lesser;
- b. The amount of the total theoretical value of all the portfolios of the member’s clients in the scenario, for which the result of the calculation under section 2.2.4.1 above yields the negative number with the highest absolute value.

2.2.5 The value of a member’s nostro account and the amount of margin required

The theoretical value of the member’s nostro account

2.2.5.1 The total theoretical value of each of the member’s nostro accounts for each of the scenarios set shall be determined as follows:

- The theoretical value of each option in a nostro account, as determined for that scenario, shall be multiplied by the balance of that option in the account;
- The theoretical value of each future in a nostro account, as determined for that scenario, shall be multiplied by the balance of that future in the account;

The amount obtained by adding the aforesaid products shall constitute the theoretical value of the member’s nostro account for that scenario.

The market value of the member’s nostro account

2.2.5.2 The total market value of each of the member's nostro accounts for each of the scenarios set shall be determined as follows:

- The market value of each option in a nostro account shall be multiplied by the balance of that option in the account;
- The market value of each future in a nostro account shall be multiplied by the balance of that future in the account;

The amount obtained by adding the aforesaid products shall constitute the market value of the member's nostro account.

The amount of margin required from a member in respect of a nostro account

2.2.5.3 The amount of margin required from a member in respect of each of its nostro accounts shall be determined as the amount obtained under section a. below, as an absolute number, or the amount obtained under section b. below, as an absolute number, whichever is the greater:

- a. The market value of the nostro account, calculated in accordance with section 2.2.5.2, or zero, whichever is the lesser;
- b. The theoretical value of the nostro account in the scenario, for which the result of the calculation under section 2.2.5.1 above yields the negative number with the highest absolute value.

2.2.6 Value of all nostro accounts of the member and the amount of margin required

Total theoretical value of all nostro accounts of a member

2.2.6.1 The total theoretical value of all the nostro accounts of a member for each of the scenarios set shall be determined as follows:

The said value shall be determined by way of totaling – for each scenario separately – the theoretical values of all the nostro accounts of the member with negative theoretical values in that scenario.

Total market value of all nostro accounts of a member

2.2.6.2 The total market value of all nostro accounts of the member shall be determined as follows:

The said value shall be determined by way of totaling the total market values of the nostro accounts of the member with negative market values under section 2.2.5.2.

The amount of margin required from the member in respect of all its nostro accounts

2.2.6.3 The amount of margin required from a member in respect of all its nostro accounts shall be determined according to the amount obtained under section a. below, as an absolute number, or the amount obtained under section b. below, as an absolute number, whichever is the greater:

- a. The amount of the market value calculated in accordance with

section 2.2.6.2 above, or zero, whichever is the lesser;

- b. The amount of the total theoretical value of all the nostro accounts of the member in the scenario, for which the result of the calculation under section 2.2.6.1 above yields the negative number with the highest absolute value.

2.2.7 Value of portfolio of the client of an NCHM and the amount of margin required from a member in respect of each client of an NCHM that clears through it

Theoretical value of the portfolio of the client of an NCHM

2.2.7.1 The total theoretical value of each of the portfolios of the clients of the NCHM for each of the scenarios set shall be determined as follows:

- The theoretical value of each option in the client's portfolio, as determined for that scenario, shall be multiplied by the balance of that option in the portfolio;
- The theoretical value of each future in the client's portfolio, as determined for that scenario, shall be multiplied by the balance of that future in the portfolio;

The amount obtained by adding the aforesaid products shall constitute the theoretical value of the client's portfolio for that scenario.

Market value of the portfolio of the client of an NCHM

2.2.7.2 The total market value of each of the portfolios of the clients of the NCHM shall be determined as follows:

- The market value of each option in the client's portfolio shall be multiplied by the balance of that option in the portfolio;
- The market value of each future in the client's portfolio shall be multiplied by the balance of that future in the portfolio.

The amount obtained by adding the aforesaid products shall constitute the market value of the portfolio of the client of the NCHM.

The amount of margin required from a member in respect of each portfolio of a client of the NCHM

2.2.7.3 The amount of margin required from a member in respect of each portfolio of a client of the NCHM shall be determined according to the amount obtained under section a. below, as an absolute number, or the amount obtained under section b. below as an absolute number, whichever is the greater:

- a. The market value of the client's portfolio, calculated in accordance with section 2.2.7.2 above, or zero, whichever is the lesser;
- b. The theoretical value of the client's portfolio in the scenario, for which the result of the calculation under section 2.2.7.1 above yields the negative number with the highest absolute value.

2.2.8 Value of all the portfolios of the clients of an NCHM and the amount of margin required from a member in respect of all the clients of the NCHM that clears through it

Total theoretical value of all portfolios of the clients of an NCHM

2.2.8.1 The total theoretical value of all portfolios of the clients of the NCHM for each of the scenarios set shall be determined as follows:

The said value shall be determined by way of totaling – for each scenario separately – the theoretical values of all portfolios of the clients of the NCHM with negative theoretical values in that scenario.

Total market value of all portfolios of clients of an NCHM

2.2.8.2 The total market value of all portfolios of the clients of the NCHM shall be determined as follows:

The said value shall be determined by way of totaling the total market values of all the portfolios of the clients of the NCHM with negative market values under section 2.2.7.2.

The amount of margin required from a member in respect of all portfolios of clients of an NCHM that clears through it

2.2.8.3 The amount of margin required from a member in respect of all portfolios of clients of the NCHM that clears through it shall be determined according to the amount obtained under section a. below, as an absolute number or the amount obtained under section b. below, as an absolute number, whichever is the greater:

- a. The amount of the market value calculated in accordance with section 2.2.8.2 above, or zero, whichever is the lesser;
- b. The amount of the total theoretical value of all portfolios of the clients of an NCHM in the scenario, for which the result of the calculation under section 2.2.8.1 above yields the negative number with the highest absolute value.

2.2.9 Value of the nostro account of an NCHM and the amount of margin required from the member in respect of the nostro account of the NCHM that clears through it

Theoretical value of the nostro account of an NCHM

2.2.9.1 The total theoretical value of each of the nostro accounts of the NCHM for each of the scenarios set shall be determined as follows.

- The theoretical value of each option in the nostro account, as determined for that scenario, shall be multiplied by the balance of that option in the account;
- The theoretical value of each future in the nostro account, as determined for that scenario, shall be multiplied by the balance of that future in the account.

The amount obtained by adding the aforesaid products shall constitute the theoretical value of the nostro account of the NCHM for that scenario.

Market value of the nostro account of an NCHM

2.2.9.2 The total market value of each nostro account of the NCHM shall be determined, as follows:

- The market value of each option in the nostro account shall be multiplied by the balance of that option in the account;
- The market value of each future in the nostro account shall be multiplied by the balance of that future in the account.

The amount obtained by adding the aforesaid products shall constitute the market value of the nostro account of the NCHM.

The amount of margin required from a member in respect of the nostro account of the NCHM that clears through it

2.2.9.3 The amount of margin required from a member in respect of each of the nostro accounts of an NCHM that clears through it shall be determined according to the amount obtained under section a. below, as an absolute number, or the amount obtained under section b. below, as an absolute number, whichever is the greater:

- a. The market value of the nostro account, calculated in accordance with section 2.2.9.2 above, or zero, whichever is the lesser;
- b. The theoretical value of the nostro account in the scenario, for which the result of the calculation under section 2.2.9.1 above yields the negative number with the highest absolute value.

2.2.10 Value of all the nostro accounts of an NCHM and the amount of margin required from a member in respect of all the nostro accounts of the NCHM that clears through it

Total theoretical value of all nostro accounts of an NCHM

2.2.10.1 The total theoretical value of all nostro accounts of the NCHM for each of the scenarios set shall be determined as follows:

The said value shall be determined by way of totaling – for each scenario separately – the theoretical values of all the nostro accounts of the NCHM with negative theoretical values in that scenario.

Total market value of all the nostro accounts of an NCHM

2.2.10.2 The total market value of all the nostro accounts of the NCHM shall be determined as follows:

The said value shall be determined by way of totaling the total market values of the nostro accounts of the NCHM with negative market values under section 2.2.9.2.

The amount of margin required from the MAOF Clearing House member in respect of all the nostro accounts of an NCHM that clears through it

2.2.10.3 The amount of margin required from a member in respect of all the nostro accounts of the NCHM that clears through it shall be determined according to the amount obtained under section a. below, as an absolute number, or the amount obtained under section b. below as an absolute number, whichever is the greater:

- a. The amount of the market value calculated in accordance with section 2.2.10.2 above, or zero, whichever is the lesser;
- b. The amount of the total theoretical value of all the nostro accounts of the NCHM in the scenario, for which the result of the calculation under section 2.2.10.1 above yields the negative number with the highest absolute value.

2.2.11 The amount of margin required from a member in respect of the activity of the NCHMs that clear through it

Total amount of margin required from a member in respect of an NCHM that clears through it

2.2.11.1 The total amount of margin required from a member in respect of an NCHM that clears through it is the amount of margin required from a member in respect of all clients of the NCHM under section 2.2.8.3 above, plus the amount of margin required from a member in respect of all the nostro accounts of an NCHM under section 2.2.10.3 above.

The amount of margin required from the member in respect of all the NCHMs that clear through it

2.2.11.2 The total amount of margin required from the member in respect of all the NCHMs that clear through it is the aggregate amount of the margin required from a member in respect of each of the NCHMs that clear through it, under section 2.2.11.1 above.

2.2.12 The total amount of margin required from a member in respect of all portfolios of its clients, in respect of all its nostro accounts and in respect of all the NCHMs that clear through it

- a. The total amount of margin required from a member under this section 2.2 is the amount of margin required from the member in respect of all portfolios of its clients, under section 2.2.4.3 above, plus the amount of margin required from the member in respect of all its nostro accounts, under section 2.2.6.3 above, plus the amount of margin required from the member in respect of all TASE members who are not members of the MAOF Clearing House that clear through it, under section 2.2.11.2 above.
- b. The following amounts shall be added to the amount obtained under subsection a. above:
 - 1) An amount equal to the differential between the amount that shall be debited to the member on a particular day in respect of premiums and the

amount that shall be credited to the member on the same day in respect of premiums, on condition that the aforesaid amount is positive.

- 2) On a trading day on which cash settlement is performed in respect of the exercise of derivatives – the differential between the amount that shall be debited to the member in respect of the exercise of derivatives and the amount that shall be credited to the member in respect of the exercise of derivatives, with the addition of the differential between the amount that shall be debited to the member in respect of premiums and the amount that shall be credited to the member in respect of premiums, on condition that the aforesaid amount is positive.

The amounts specified in subsections 1) and 2) above shall be deducted from the amount of margin required from the member immediately after the close of the cash settlement that is performed on the same day.

2.3 The calculation of margin at the beginning of a trading day in respect of transactions, in which the underlying asset is the three-month interest rate

2.3.1 The margin required from a member, in respect of each client, shall be determined at the end of each trading day, in the following manner:

2.3.1.1 The following parameters shall be calculated for each future:

- a) 0.15 of the annual shekel interest rate, multiplied by 100 and calculated as the average of the interest rates of all short-term loan series with a redemption range of 60-120 days, on the three days preceding the updating date, rounded off to the nearest half of a percentage point.

The aforesaid annual shekel interest rate shall be updated every month, on the last business day of the month; a notice regarding every aforesaid updating shall be published.

- b) The volatility coefficient in new shekel terms, as prescribed in the terms of the contract, multiplied by 100.

2.3.1.2 The product of multiplying the two parameters in section 2.3.1.1 above shall be calculated and rounded off to the nearest NIS 500.

2.3.1.3 The number of spreads in the client's futures shall be calculated for each client; this number shall be multiplied by half of the sum obtained from the calculation under section 2.3.1.2.

For this purpose, "spread in futures" – a long future for one exercise date and a short future for another exercise date; if seven days or less are left until the expiration date of a future, then that future shall not be included in the aforesaid "spreads in futures".

2.3.1.4 The following two numbers shall be calculated for each client:

- The number, as an absolute value, of all the client's short futures, which are not part of a spread in futures, as stated in section 2.3.1.3 above;

- The number of all the client's long futures, which are not part of a spread in futures, as stated in section 2.3.1.3 above.

The larger of the two aforesaid numbers shall be multiplied by the sum obtained from the calculation under section 2.3.1.2 above.

- 2.3.1.5 The total of margin required from a member in respect of each client equals the amount obtained from the calculation under section 2.3.1.3, with the addition of the amount obtained from the calculation under section 2.3.1.4.

2.3.2 The amount of margin required from a member in respect of the nostro account shall be calculated in the manner in which the amount of margin required from a member in respect of an account of the member's client is calculated, as stated above.

2.3.3 The total amount of margin required from a member under this section 2.3 is the amount of margin required from the member in respect of all its clients, as aforesaid, plus the amount of margin required from the member in respect of the nostro account.

2.4 The calculation of margin at the beginning of a trading day in respect of transactions, in which the underlying asset is the consumer price index

2.4.1 The amount of margin required from each member in respect of each client shall be determined at the close of each trading day, in the following manner:

2.4.1.1 The following parameters shall be calculated for each future:

- a) One quarter of the estimated annual rate of increase in the consumer price index, calculated as the average of annual yields – on the updating day and on the two preceding trading days – of the short-term loan series with a time left to redemption – on the updating day – of the closest to one year; this parameter shall be updated every month, on the last business day of the month; a notice regarding every aforesaid updating shall be published.
- b) The consumer price index known on the day of the calculation, multiplied by NIS 1,000.
- c) The number of months left between the last transaction in the future and its expiration date, rounded up to the nearest whole month and divided by twelve.

2.4.1.2 The amount of margin required in respect of each long future and each short future shall be calculated in the following manner:

The product of the three parameters in section 2.4.1.1 above, with the addition of 2% of the consumer price index known on the day of the calculation, multiplied by NIS 1,000.

Notwithstanding the aforesaid, in the month in which an expiration date occurs, the amount of margin required in respect of a future with the nearest expiration date shall be calculated as follows: the product of the

three parameters in section 2.4.1.1 above.

2.4.1.3 The amount of margin required from a member for each client shall be as follows: the absolute value of the sum of the products of the balance of each long or short future in the client's account, times the amount of margin required in respect of the same future, as specified in section 2.4.1.2.

2.4.2 The amount of margin required from a member in respect of the nostro account shall be calculated in the manner in which the amount of margin required from the member in respect of the account of the member's client is calculated, as stated above.

2.4.3 The total amount of margin required from a member under this section 2.4 is the amount of margin required from the member in respect of all its clients, as aforesaid, plus the amount of margin required from the member in respect of the nostro account.

2.5 The calculation of margin at the beginning of a trading day in respect of transactions in which the underlying asset is a medium-term hypothetical debt instrument

2.5.1 The amount of margin required from a member shall be determined at the close of each trading day, in the following manner:

2.5.1.1 The number of spreads in the client's futures shall be calculated for each client; this number shall be multiplied by NIS 150.

For this purpose, "spread in futures" – a long future for one exercise date and a short future for another exercise date; if seven days or less are left until the expiration date of a future, then that future shall not be included in the aforesaid "spreads in futures".

2.5.1.2 The following two numbers shall be calculated for each client:

- The number, as an absolute value, of all the client's short futures, which are not part of a spread in futures, as stated in section 2.5.1.1 above;
- The number of all the client's futures which are not part of a spread in futures, as stated in section 2.5.1.1 above.

The larger of the two aforesaid numbers shall be multiplied by NIS 2,500.

2.5.1.3 The total of margin required from a member in respect of each client equals the amount obtained from the calculation under section 2.5.1.1, with the addition of the amount obtained from the calculation under section 2.5.1.2.

2.5.2 The amount of margin required from a member in respect of the nostro account shall be calculated in the manner in which the amount of margin required from a member in respect of an account of the member's client is calculated, as stated above.

2.5.3 The total amount of margin required from a member under this section 2.5 is the amount of margin required from the member in respect of all its clients, as aforesaid, plus the amount of margin required from the member in respect of the nostro account.

2.6 The calculation of margin at the beginning of a trading day in respect of transactions in which the underlying asset is a long-term hypothetical debt instrument

2.6.1 The amount of margin required from a member shall be determined at the close of each trading day, in the following manner:

2.6.1.1 The number of spreads in the client's futures shall be calculated for each client; this number shall be multiplied by NIS 150.

For this purpose, "spread in futures" – a long future for one exercise date and a short future for another exercise date; if seven days or less are left until the expiration date of a future, then that future shall not be included in the aforesaid "spreads in futures".

2.6.1.2 The following two numbers shall be calculated for each client:

- The number, as an absolute value, of all the client's short futures, which are not part of a spread in futures, as stated in section 2.6.1.1 above;
- The number of all the client's futures which are not part of a spread in futures, as stated in section 2.6.1.1 above.

The larger of the two aforesaid numbers shall be multiplied by NIS 3,500.

2.6.1.3 The total of margin required from a member in respect of each client equals the amount obtained from the calculation under section 2.6.1.1, with the addition of the amount obtained from the calculation under section 2.6.1.2.

2.6.2 The amount of margin required from a member in respect of the nostro account shall be calculated in the manner in which the amount of margin required from a member in respect of an account of the member's client is calculated, as stated above.

2.6.3 The total amount of margin required from a member under this section 2.6 is the amount of margin required from the member in respect of all its clients, as aforesaid, plus the amount of margin required from the member in respect of the nostro account.

2.7 The calculation of margin during the course of the trading day in respect of transactions in derivatives

2.7.1 The positions on which margin shall be calculated

2.7.1.1 After each transaction conducted by a member on behalf of its client or on its own behalf, an updated calculation shall be performed of the margin required from that member in the underlying asset for the

derivatives transaction that was conducted; and this according to its and all its clients' updated open positions in that underlying asset, in accordance with the calculation method specified in sections 2.2, 2.3 and 2.4 above, as applicable. In such a case, if a transaction was not conducted by an NCHM for which the said member is its clearing member, then the margin for the said NCHM and its clients shall not be updated in consequence of the transaction conducted by the member for its client or its own behalf.

After each transaction conducted by an NCHM on behalf of its client or on its own behalf, an updated calculation shall be conducted of the margin required in the underlying asset from the NCHM's clearing member in respect of that NCHM, for the derivatives transaction conducted; and this according to the NCHM's and all its clients' updated open positions in that underlying asset, in accordance with the calculation method specified in sections 2.2, 2.3 and 2.4 above, as applicable.

- 2.7.1.2 In addition to the aforesaid, in respect of derivatives, the underlying asset of which is a basket index, a share, a Shahar government bond or a foreign currency exchange rate, the risks array at the beginning of the day shall be replaced by a new risks array with different parameter values, and this if a change in the basket index, the share price, the Shahar government bond price or the foreign currency exchange rate occurs, as applicable, at rates specified in section 2.7.2.1, subsection 3) below. Should a revision of the risks array during the course of a trading day, as aforesaid, be decided, then the margin shall be recalculated for all members of the MAOF Clearing House, as specified in subsection 2.7.2.1.3) below.

2.7.2 The calculation of margin during the course of the trading day in respect of transactions in derivatives with an underlying asset that is a basket index, or a share, or a Shahar government bond, or a foreign currency exchange rate

Margin during the course of the trading day in derivatives with an underlying asset that is a basket index, a share, a Shahar government bond, or a foreign currency exchange rate shall be calculated in accordance with the provisions of section 2.2 above, subject to the following:

2.7.2.1 Parameters for calculating margin during the course of a trading day

The parameters for calculating the margin required during the course of a trading day shall be those parameters set in section 2.2 above, subject to the following:

- 1) If the underlying asset is a basket index – after each transaction conducted by a member on behalf of a client or on its own behalf, the margin required from the member shall be calculated according to the last-known basket index at the time the transaction was conducted;

If the underlying asset is a share – after each transaction conducted by a member on behalf of a client or on its own behalf, the margin required from the member shall be calculated according to the last-known share price at the time the transaction was conducted;

If the underlying asset is a foreign currency exchange rate – after each transaction conducted by a member on behalf of a client or on its own behalf, the margin required from the member shall be calculated according to the last-known foreign currency exchange rate at the time the transaction was conducted.

For the purpose of this section –

“The last-known foreign currency exchange rate at the time the transaction was conducted” – the average currency exchange rate in interbank trading, as posted by the Reuters system. If foreign currency exchange rates were not posted or could not be obtained from the Reuters system, as aforesaid, then the last known Representative Rate of that foreign currency set by the Bank of Israel.

If the underlying asset is a Shahaar government bond – after each transaction conducted by a member on behalf of a client or on its own behalf, the margin required from the member shall be calculated according to the last-known government bond price at the time the transaction was conducted.

- 2) After each transaction conducted by a member, the margin required from the member shall be calculated according to the price scan range, as specified below;

For the purpose of this section –

y = the price scan range, in percent; x = the rate of change in the index, in percent;

The price scan range shall be as stipulated in section 2.2 above, subject to the following:

- a) If the basket index or the share price or the Shahaar government bond price or the foreign currency exchange rate shall increase by 1-x%, then the upside price scan range shall be reduced and shall be calculated using the following formula:

$$((1+y/100) / (1+x/100)-1) * 100$$

- b) If the basket index or the share price or the Shahaar government bond price or the foreign currency exchange rate shall decrease by 1-x%, then the downside price scan range shall be reduced and shall be calculated using the following formula:

$$(1 - (1-y/100) / (1-x/100)) * 100$$

- c) If the basket index or the share price or the Shahaar government

bond price or the foreign currency exchange rate increases or decreases, as applicable, by 1-x%, then the respective downside or upside price scan range shall be as stipulated in section 2.2 above; however, the Manager of the MAOF Clearing House or a person authorized by him shall be able – at his discretion – to reduce the above price scan range, but only if the percentage change does not exceed 0.4%.

3) In addition to that stipulated in section 2) above and subject to the provisions of section 4) below, should the parameters change at the rates specified below, the Manager of the MAOF Clearing House or a person authorized by him shall replace – during the course of the day – the existing risks array with a new risks array calculated according to updated parameters, with this being in each of the following instances:

a) Should the parameter of the basket index, or the share price, or the Shahar government bond price or the foreign currency exchange rate or the non-linked government bonds, change relative to this parameter as it was at the opening of the trading day, by a rate of at least C_i , as calculated below, rounded off to the one decimal point, the Manager of the MAOF Clearing House or a person authorized by him shall replace the basket index, share price, Shahar government bond price or foreign currency exchange rate parameter, as applicable, in the risks array with a new parameter, revised as stipulated above.

$$C_i = \frac{0.2xM_i}{1+M_i}$$

For the purpose of this section –

i = Basket index, share, Shahar government bond, foreign currency, as applicable.

M_i = Price scan range parameter of underlying asset i , as articulated in section 2.2.1 above.

b) Should the annual volatility parameter of underlying asset i change relative to this parameter as it was at the opening of the trading, day, by a rate in excess of 20%, the Manager of the MAOF Clearing House or a person authorized by him shall replace the annual volatility parameter in the risks array with a new parameter, revised as stipulated above.

4) Notwithstanding the provisions of sections 1) through 3) above, the calculation of margin on the trading day on which the settlement price for exercise or expiration, as applicable, is prescribed, after the settlement price for expiration has been prescribed, shall be in accordance with the provisions of sections 1) through 3) above – provided that the theoretical value of the option as of the closest

exercise date, for each of the predetermined scenarios, shall be the amount of the positive differential for the option.

2.7.2.2 Amount of margin required from a member

The total amount of margin required from a member shall be calculated in accordance with the provisions of section 2.2 above and of this section 2.7, with the addition of the differential between the amount of premiums debited to the member's clients that are option buyers and the amount of premiums credited to the member's clients that are option sellers, on condition that said differential is positive.

2.7.3 The calculation of margin during the course of the trading day in respect of transactions in derivatives with an underlying asset that is the three-month interest rate, the consumer price index or a hypothetical debt instrument

The calculation margin during the course of the trading day for derivatives the underlying asset of which is the three-month interest rate, the consumer price index or a hypothetical debt instrument shall be performed in accordance with the provisions of sections 2.3, 2.4, 2.5 and 2.6 above, as applicable. After each transaction conducted by a member on a client's behalf or on its own behalf, an updated calculation of margin required from that member shall be performed for the underlying asset on which the derivatives transaction was conducted, and this according to the member's and its clients' updated open positions in that underlying asset, according to the calculation methodology specified in sections 2.3, 2.4, 2.5, and 2.6, as applicable.

2.8 The calculation of margin at the end of a trading day in respect of transactions in derivatives

2.8.1 The calculation of margin at the end of a trading day in respect of transactions in derivatives, for which the underlying asset is a basket index, or a share, or a foreign currency exchange rate

At the end of a trading day, an additional calculation will be performed of the margin in derivatives, for which the underlying asset is a basket index, or a share, or a foreign currency exchange rate, in accordance with the stated in section 2.7 above, including an updating of the set of scenarios to a new one. The parameters for the end-of-day calculation of margin will be as specified below:

- 1) For an underlying asset that is a basket index - the margin required from the member will be calculated based on the basket's closing index price.

For an underlying asset that is a share - the margin required from the member will be calculated based on the closing price of the share;

For an underlying asset that is a foreign currency exchange rate - the margin required from the member will be calculated based on the last-known foreign currency exchange rate at the close of trade.

- 2) The maximum volatility scan range will be calculated in accordance with

section 2.2.1.2 above and applied to the underlying asset price prescribed in subsection 1) above.

- 3) The annual volatility will be calculated in accordance with section 2.2.1.3 above and the underlying asset prices used in the calculation will be as prescribed in subsection 1) above. Nevertheless, with regard to underlying assets for which the margin calculation is not based on an implied volatility, the annual volatility parameter will be that recorded at the beginning of the trading day.

3. CANCELLED.

4. Special cases

Notwithstanding the provisions of section 2.2.1 and subsection 3) of section 2.7.2.1 of this Chapter, if – in the opinion of the Manager of the MAOF Clearing House – market conditions warrant a change in the parameter values prescribed in section 2.2.1 and section 2.7.2 of this Chapter, the Manager of the MAOF Clearing House, in consultation with the CEO of TASE and the Chief Risk Officer, may immediately prescribe new parameters.

Should the Manager of the MAOF Clearing House decide to prescribe new parameters as stipulated above, the calculation of margin shall be discontinued for the period necessary to recalculate alternative risk arrays based on the updated parameters that shall be prescribed.

Notification as to the revision of the parameters shall be immediately released to the MAOF Clearing House members and to the public, in the manner that TASE normally releases announcements to the public.

Should the parameters be so revised, the margin shall be immediately recalculated according to the new parameters, and the members shall be required to adjust the margin deposited by them, at the time stipulated in the notification.

5. When must a member supplement the margin

5.1 5.1.1 Supplementing margin at the opening of the trading day

On each trading day, up to the time when trading in derivatives opens, or until 9:30 AM., whichever is the earlier, a member shall deposit the additional margin it must give, as aforesaid, in the margin accounts, as defined in section 8 below, in accordance with the calculation made on that day, prior to the opening of trading, as stipulated in section 2.2.12 above, all under the conditions specified below.

5.1.2 Supplementing margin in the course of the trading day¹

For the purpose of this section –

“permitted amount” – an amount obtained by adding the amount of margin, which the member deposited in the margin accounts, as defined in this chapter below, less the amount of margin the member deposited in this account in respect of its

¹ Until the technical preparations are completed, the MAOF Clearing House will examine the compliance with the requirement prescribed in section 1.1.2 above (“the cash requirement”) at the beginning of each trading day, upon the filing of a request to withdraw surplus margin and the end of each trading day. Separate notice will be given of the completion of the technical preparations and the first date on which compliance with the cash requirement would be examined during the trading day.

part of the Risk Fund, plus the additional amount;

“Additional amount” – 30% of the member’s participation in the MAOF Clearing House Risk Fund;

After every transaction carried out by a member for its client or for itself, the MAOF Clearing House shall calculate the amount of margin required from the member and his compliance with the provision of section 1.1.2 above. If the amount of margin required from the member has exceeded the permitted amount, or the member is in non-compliance with the requirement set out in section 1.1.2 (hereinafter in this section: “the permitted amount having being exceeded”), then the MAOF Clearing House shall so inform the member within 5 minutes of the permitted amount having being exceeded and, assuming that the excess has not been corrected by then, the member shall be required to make up the difference between the total margin required from it and the total existing margin (hereinafter: “margin shortfall”) within 60 minutes of the MAOF Clearing House giving the notice to the member.

Notwithstanding the aforesaid, if the margin shortfall occurred after the close of trade, then the MAOF Clearing House shall so inform the member within 5 minutes of the margin shortfall having occurred and assuming that this margin shortfall has not been made up by then, the member shall be required to make up the margin shortfall within 60 minutes of the close of trade in derivatives or within 30 minutes of the MAOF Clearing House giving the notice to the member, whichever is the later.

- 5.2** Notwithstanding the provisions of section 5.1 above, the Manager of the MAOF Clearing House may demand that the member deposit margin in an amount greater than that prescribed in section 5.1 above, or at an earlier time than that prescribed in the aforesaid section, if he believes that this is needed to guarantee that the member shall fulfill its obligations toward the MAOF Clearing House.
- 5.3** Without derogating from any right of the MAOF Clearing House whatsoever under the By-Laws or under any statute, if any member did not deposit the margin required from it by the time prescribed in sections 5.1 or 5.2 above, as the case may be, then the MAOF Clearing House shall debit the amount of NIS 20,000 plus VAT against the member’s account for every quarter hour of delay, or for any part thereof.

6. Margin which the member must receive from the client

- 6.1** A client’s acts in options and futures shall be carried out through a separate account with the member, dedicated to acts in options and futures, or through the client’s securities account, on condition that acts in options and futures shall be carried out in a separate subaccount or in a separate category of account (hereinafter: “MAOF account”).
- 6.2** CANCELLED.
- 6.3** CANCELLED.
- 6.4** The client shall authorize the member to sell and/or to buy options and futures , in any case of a margin shortfall on its account, and also to realize the margin which it provided, and which is deposited in its account with the member, and that whenever it did not meet

its obligations in respect of open positions. .5 The amount, in respect of which a non-bank member shall receive margin from a client shall be deemed credit extended by the non-bank TASE member to the client and, consequently, all the provisions of the TASE Rules and Regulations on the provision of credit to a client shall apply, including with regard to the kinds of margin for credit, the amount of margin to be received from a client in respect of the credit extended to it, and the percentage of all the credit a member may extend to one client, out of the total credit which the member may extend to all its clients.

6.5 CANCELLED.

7. Types of assets accepted for margin and their valuation

7.1 The assets that shall serve as margin, pursuant to the By-Laws, are:

- 7.1.1 Cash deposited in the account, as set forth on this Chapter below;
- 7.1.2 Short-term treasury bills (MAKAM) or government bonds – their value for the purpose of calculating compliance with margin requirements shall be the value of the security on TASE multiplied by the confidence coefficient. However, should the final time-to-maturity of a MAKAM or government bond be 30 days or less, for the purposes of calculating compliance with margin requirements, its value shall be zero.
- 7.1.3 The Board of Directors of the MAOF Clearing House shall determine the methodology for calculating the confidence coefficient (“the methodology”).

Notwithstanding the aforesaid:

- a. In special instances when, in the opinion of the Manager of the MAOF Clearing House, it is fitting to determine lower confidence coefficients than those determined according to the methodology, the Manager of the MAOF Clearing House, in consultation with the CEO of TASE and the Chief Risk Officer, may take immediate action to do so.
- b. In special instances, the Board of Directors, in accordance with a recommendation from the Manager of the MAOF Clearing House that was accepted following consultation with the CEO of TASE and the Chief Risk Officer, may determine higher confidence coefficients than those set according to the methodology.

A notice regarding the confidence coefficient set-in accordance with the aforesaid methodology, and regarding any change made thereto, shall be sent to the members of the MAOF Clearing House in a manner that shall be prescribed by the MAOF Clearing House from time to time. In addition, the confidence coefficient shall be published on TASE’s website – the address of which is: tase.co.il, and on the MAYA website – the address of which is: maya.tase.co.il.

- 7.1.4 If the confidence coefficient is changed as aforesaid, the MAOF Clearing House shall calculate the margin in accordance with the revised confidence coefficient and shall send the members of the MAOF Clearing House a notice regarding the updated value of the margin in a manner that shall be prescribed by the MAOF Clearing House from time to time. If, as a result of the aforesaid calculation, a member is required to provide additional margin to the MAOF Clearing House, it

shall do so by the date set by the MAOF Clearing House in the notice sent by the MAOF Clearing House as referred to above.

- 7.2** Margin given to the MAOF Clearing House by a member shall be taken from its own resources and shall be free at all times of any encumbrance, attachment, lien or other third-party right.

8. Margin accounts

8.1 Definitions

8.1.1 “Main MAOF margin account”, dedicated to each member by the MAOF Clearing House – an account (including all its subaccounts) kept at the TASE Clearing House in the name of the MAOF Clearing House, which is intended for the deposit by the member of securities that shall be used as margin in favor of the MAOF Clearing House;

8.1.2 CANCELLED.

8.1.3 CANCELLED.

8.1.4 “Margin accounts at the Bank of Israel” – each of the following:

8.1.4.1 An account (including all its subaccounts) and all the reserve accounts associated therewith (including all their sub accounts) kept in the name of the MAOF Clearing House on the RTGS System operated at the Bank of Israel and which is intended for the deposit of cash by the members of the MAOF Clearing House, including the member, that is used as margin in favor of the MAOF Clearing House;

8.1.4.2. An account (including all its subaccounts) that is kept in the name of the MAOF Clearing House in the Bank of Israel’s accounting system and which is intended for the deposit of cash transferred from any of the accounts set forth in section 8.1.4.1 above or for the deposit of cash by the members of the MAOF Clearing House, including the member, that is used as margin in favor of the MAOF Clearing House;

8.1.4.3 Another account at the Bank of Israel or on a payments system run by any of the Bank of Israel’s employees or a bank account, which is intended for the deposit of cash transferred from any of the accounts set forth in sections 8.1.4.1 or 8.1.4.2 above, whether for the purpose of realizing the charged and pledged assets or for some other purpose.

8.1.5 “The margin accounts” – the main MAOF margin account and margin accounts at the Bank of Israel.

- 8.2** 8.2.1 The MAOF Clearing House shall open a number of accounts in its name at the TASE Clearing House, equal to the number of its members, and it shall dedicate one account to each member for use as the main MAOF margin account, in which the member shall deposit the securities stipulated in section 7.1.2 above, which shall be given by it as collateral to secure all the member’s obligations toward the MAOF Clearing House and the payment of the member’s participation in the Risk Fund.

- 8.2.2 a. In addition, the MAOF Clearing House has opened in its name, at the Bank of Israel, the margin accounts at the Bank of Israel, as specified in this Chapter.
- b. The margin accounts at the Bank of Israel, are intended for the deposit of cash used as collateral to secure all of the member's obligations toward the MAOF Clearing House, including, but without derogating from the generality of the aforesaid, to secure the payment of the member's participation in the Risk Fund.

The deposits in the aforesaid accounts shall be made as follows:

- (1) By the member – cash, as specified in section 7.1.1 above;
- (2) By the MAOF Clearing House – cash that shall be paid as the yields from the securities deposited in the main MAOF margin account, which is dedicated to the member, or cash arising from any other monetary right stemming from the said securities, including the cash proceeds derived from their sale or exercise;

8.2.3 A member shall deposit in the main MAOF margin account or in the margin accounts at the Bank of Israel (as shall be decided by the MAOF Clearing House from time to time, at its discretion, as prescribed above) collateral, the value of which shall not be less than the full amount of the margin requirement (100%) due to the MAOF Clearing House under Chapter Two above and this Chapter Eight, subject to the provisions pertaining to this matter prescribed in the By-Laws, and the member shall pledge and charge the said accounts in favor of the MAOF Clearing House, as specified below.

8.2.4 The MAOF Clearing House shall be entitled to credit the collateral given by the member or any part thereof, at its discretion, and without derogating from the generality of the above, either on account of the margin required from the member as its obligation to the Risk Fund, or on account of the margin required from the member in respect of MAOF transactions on its own behalf (*nostro*), or on account of the margin required from the member in respect of MAOF transactions on behalf of its clients, or on account of the margin required from the member in respect of MAOF transactions carried out by an NCHM, for which the member is liable under the By-Laws, be they on behalf of the NCHM or on behalf of the clients of the NCHM, all as shall be decided by the MAOF Clearing House and according to the split determined by it.

8.3 CANCELLED.

8.4 8.4.1 A request to deposit cash for use as collateral, as defined in Chapter Eight of the By-Laws, shall be submitted to the MAOF Clearing House by the member, using the Request to Deposit Cash Collateral form attached as Appendix Thirteen of the By-Laws.

8.4.2 8.4.2.1 A non-bank member is required to furnish the MAOF Clearing House with an Authorization from its cash settlement member, worded in accordance with the text attached as Appendix Sixteen, whereby the cash

settlement member shall permit the MAOF Clearing House make a daily debit against its account at the Bank of Israel in respect of cash collateral that the non-bank member is requesting to deposit in favor of the MAOF Clearing House. The Authorization shall state the daily amount permitted to be debited in respect of the cash that the non-bank member is requesting to deposit as margin in favor of the MAOF Clearing House (hereinafter: "the daily permitted margin amount"), which shall not be less than an amount of NIS 10 million.

- 8.4.2.2 If a non-bank member furnishes the aforesaid Authorization, the MAOF Clearing House may debit the cash account of its cash settlement member with the cash that the non-bank member is requesting to deposit as margin in favor of the MAOF Clearing House in the margin accounts at the Bank of Israel, with this being up to the daily permitted margin amount.
- 8.4.2.3 For the purpose of calculating the amount that the non-bank member has utilized out of the daily permitted margin amount, any amount for which the non-bank member shall be credited – due to the withdrawal of surplus margin as referred to in section 9.4.2, by way of crediting the account of the cash settlement member – shall be deducted from the amount that the MAOF Clearing House debited on the same day against the cash account of the cash settlement member, in accordance with the aforementioned authorization.
- 8.4.2.4 A cash settlement member may at any time increase the daily permitted margin amount by delivering a new Authorization that includes the updated amount, worded in accordance with the text attached as Appendix Sixteen, to the MAOF Clearing House. The new Authorization shall take effect from the time it shall be received at the MAOF Clearing House.
- 8.4.2.5 A cash settlement member may reduce the daily permitted margin amount, but not below an amount of NIS 10 million, by delivering a new Authorization that includes the updated amount, worded in accordance with the text attached as Appendix Sixteen, to the MAOF Clearing House.

A revised Authorization, which is delivered to the MAOF Clearing House by 8:30 AM on any trading day, shall be in effect from the trading day on which it was delivered to the MAOF Clearing House. A revised Authorization, which is delivered to the MAOF Clearing House after 8:30 AM on any trading day, shall take effect from the trading day following the trading day on which it was delivered to the MAOF Clearing House. Until such time the previous Authorization delivered to the MAOF Clearing House shall remain in effect.

In any event, the reduction shall not apply to the amounts already debited against the cash account of the cash settlement member prior to the revised Authorization taking effect, by virtue of the previous

Authorization.

- 8.5** If the amount of the cash collateral that a non-bank member is requesting to deposit exceeds the amount of the daily permitted margin amount, the non-bank member shall be requested to submit – with regard to any amount in excess of the permitted amount – a request to deposit cash collateral, worded in accordance with the text attached as Appendix Thirteen of the By-Laws, to which shall be appended the Authorization of its cash settlement member, worded in accordance with the text attached as Appendix Fifteen of the By-Laws.

9. Encumbrances

Without derogating from any right the MAOF Clearing House has under the By-Laws, any agreement or any law-

- 9.1** A member shall pledge and charge in favor of the MAOF Clearing House, by a first-ranking fixed charge and by endorsement through a pledge, unlimited in amount, all the following assets and the rights thereof:
- 9.1.1 All the rights of any kind whatsoever in the main MAOF margin account, including – but without derogating from the generality of the aforesaid – all the securities that are deposited or recorded to the credit of the main MAOF margin account or that shall be deposited or recorded to the credit of the said account from time to time, and all their yields and/or any right derived from or connected to them, including the cash proceeds from the sale or exercise of the said securities;
- 9.1.2 CANCELLED.
- 9.1.3 All the rights of any kind whatsoever in the margin accounts at the Bank of Israel, including – but without derogating from the generality of the aforesaid – all the rights to receive the cash that is deposited or recorded to the credit of each of the margin accounts at the Bank of Israel or that shall be deposited or recorded to the credit of each of the aforesaid accounts, from time to time, and all their yields or any right derived from or connected to them;
- And all as specified in the Pledge and Secured Note Agreement attached as Appendix Twelve “B”, as the case may be (hereinafter: “the Fixed Charges Agreement”).
- 9.1.4 The aforesaid does not detract from a pledge and/or a mortgage made by a member in favor of the Clearing House prior to the amendment of the By-Laws dated August 11, 2020.
- 9.2** CANCELLED.
- 9.3** 9.3.1 a) For the purpose of opening the margin accounts at the Bank of Israel and for their operation, agreements have been drawn up and signed between the MAOF Clearing House and the Bank of Israel, which are titled “Agreement for the Opening of an Account at the Bank of Israel and for its Operation” and “Contract to Participate in Settlement on the RTGS System in Israel” (hereinafter, the two aforesaid agreements and all their appendices, as worded from time to time, shall be together known as: “the Agreement with the Bank

of Israel”.

The MAOF Clearing House shall deliver a copy of the Agreement with the Bank of Israel to each member.

A member (and any entity that is a candidate to be a member) shall sign the “Member’s approval for the MAOF Clearing House to open an account at the Bank of Israel, its declarations and its undertakings toward the Bank of Israel”, worded in accordance with the text attached as Appendix Eleven, as well as any other document that shall be required by the Bank of Israel, from time to time, in accordance with the Agreement with the Bank of Israel.

- b) The MAOF clearing House may change, from time to time, the Agreement with the Bank of Israel and its terms, at its discretion, without obtaining the consent of any third party, including that of the member.
 - c) The Agreement with the Bank of Israel and all its terms, as these shall be from time to time, shall bind the member, including, but without derogating from the generality of the aforesaid, insofar as the Agreement with the Bank of Israel directly or indirectly pertains or relates to the member or to the charged or pledged assets.
 - d) Subject to the provisions of any statute, the Agreement with the Bank of Israel that is to be delivered to the member, as well as information, data and notices that shall be delivered to the member in connection with the Agreement with the Bank of Israel, are intended for the member and it shall not transfer them to others without first obtaining the MAOF Clearing House’s written consent to this.
- 9.3.2
- a) The Agreement with the Bank of Israel regulates the relations between the Bank of Israel and the MAOF Clearing House in all matters relating to the opening of the margin accounts at the Bank of Israel and their operation; consequently, the Agreement with the Bank of Israel does not grant any right to anyone that is not a party to this agreement, including not granting any right to a member.
 - b) The MAOF Clearing House shall hold the sole rights to the margin accounts at the Bank of Israel, in the realm of the relations between the MAOF Clearing House and the Bank of Israel; in matters pertaining to the margin accounts at the Bank of Israel, the Bank of Israel shall act solely according to the instructions of the MAOF Clearing House and it may execute any instruction given to it by the MAOF Clearing House in connection with the cash in the margin accounts of the Bank of Israel, all as set forth in the Agreement with the Bank of Israel.
 - c) The account management services shall be provided by the Bank of Israel solely to the MAOF Clearing House and the Bank of Israel shall not bear any responsibility toward third parties, including the member; the member shall not have any right, relief or grounds for claim under the Agreement with the Bank of Israel or under any statute, vis-à-vis the Bank of Israel or vis-à-vis anyone on its behalf, or vis-à-vis TASE, the TASE Clearing House or vis-à-

vis anyone on their behalf.

- d) The Bank of Israel shall have rights, which shall include the rights of possession, attachment and set off, over the cash in the margin accounts at the Bank of Israel, as well as over the proceeds therefrom, all in accordance with the provisions of the Agreement with the Bank of Israel; it is hereby clarified that the value of the margin provided by the member in favor of the MAOF Clearing House, shall be calculated in accordance with the actual margin balance, after realizing the rights of the Bank of Israel, as stated above (if and when these are realized from time to time); in such an instance, the member shall supplement the margin amount, as shall be required pursuant to the By-Laws.

- 9.3.3 a) The assets, cash and rights that shall be furnished by the member and which shall serve as margin in favor of the MAOF Clearing House and which shall be deposited or recorded to the credit of the margin accounts at the Bank of Israel, shall be held together (in bulk) with the other assets and rights that shall be furnished as margin in favor of the MAOF Clearing House by the other members of the MAOF Clearing House and shall be deposited or recorded to the credit of the margin accounts at the Bank of Israel.
- b) The MAOF Clearing House shall, at all times, keep a separate, complete and accurate record, in the name of each of the MAOF Clearing House members, of all the assets and rights that shall be furnished to the MAOF Clearing House as margin by each member and which shall be deposited or recorded to the credit of the margin accounts at the Bank of Israel.
- c) The margin to be deposited or recorded to the credit of the margin accounts at the Bank of Israel, its scope, its amounts and details or data pertaining thereto shall be determined at all times solely in accordance with the amounts, data and details recorded for this purpose in the books of the MAOF Clearing House, and the MAOF Clearing House and the member shall rely on the entries in the books of the MAOF clearing House for all intents and purposes in relation to the Agreement with the Bank of Israel and all its terms.

Is hereby clarified that this section is intended to supplement the provisions of section 12 below and not to detract therefrom.

- 9.3.4 a) In the Agreement with the Bank of Israel, it is provided that the Bank of Israel and anyone on its behalf shall not bear any responsibility or liability of any kind whatsoever, due to waste, damage, expense or loss of any kind whatsoever (hereinafter, in this section: “damage”), and all in accordance with the provisions of the Agreement with the Bank of Israel.

Without derogating from the generality of the aforesaid, the MAOF Clearing House and TASE and anyone on their behalf, as well as the Bank of Israel and anyone on its behalf, shall be exempt and shall not bear any responsibility or liability of any kind whatsoever, due to damage that might be caused to any person or entity (including to a member, to members of the MAOF Clearing House or to members of the TASE Clearing House that clear for others) due to any matter that relates to the margin accounts of the Bank of

Israel or that is connected to activity on the margin accounts of the Bank of Israel, or that is connected to the Agreement with the Bank of Israel, including the fulfillment of non-fulfillment of provisions of the Agreement with the Bank of Israel.

The aforesaid exemption shall not apply if the damage was caused as a result of a wanton act or gross negligence.

- b) Pursuant to the Agreement with the Bank of Israel, the MAOF Clearing House is required to indemnify and compensate the Bank of Israel and anyone on its behalf or to pay them any amount that the Bank of Israel should demand from the MAOF Clearing House (hereinafter, together “indemnification and compensation”) for damage that shall be caused to the Bank of Israel or anyone on its behalf, and all in accordance with the provisions of the Agreement with the Bank of Israel.

The member shall indemnify and compensate TASE, the MAOF Clearing House and anyone on their behalf, and shall pay them, on first being requested to do so by the MAOF Clearing House, any amount that the MAOF Clearing House shall request from the member for damage that shall be caused to TASE, the MAOF Clearing House and anyone on their behalf, directly or indirectly, including expenses, legal fees and any third-party payments, which shall be paid by TASE, the MAOF Clearing House and anyone on their behalf or that they shall be required to pay, due to activity on the margin accounts at the Bank of Israel or in connection therewith or in connection with the Agreement with the Bank of Israel.

- c) Without derogating from the aforesaid, the member shall pay to the MAOF Clearing House any amount that is requested by the MAOF Clearing House for the indemnification and compensation of the Bank of Israel, in accordance with the Agreement with the Bank of Israel, not later than twenty-one (21) days from the date when the MAOF Clearing House first made its request in writing, or at an earlier date that shall be determined by the MAOF Clearing House; the MAOF Clearing House shall prescribe whether the member shall bear the full amount of the indemnification and compensation demanded by the Bank of Israel or part thereof, at the discretion of the MAOF Clearing House, taking into consideration the circumstances of the case, and the decision of the MAOF Clearing House in this matter shall be final. The amount of the indemnification and compensation determined by the MAOF Clearing House, as referred to above, shall be added to the amount of the member’s other obligations toward the MAOF Clearing House, shall be treated for all intents and purposes as an integral part thereof, and shall be paid by the member immediately and without delay, in the manner that it makes payments to the MAOF Clearing House, unless the MAOF Clearing House decides that the payment should be made in some other manner – in which case the payment shall be made in the said manner, and all as shall be decided by the MAOF Clearing House.
- d) Without derogating from the aforesaid, prior to the MAOF Clearing House

making a payment on its own initiative to the Bank of Israel for indemnification and compensation, as referred to above, the MAOF Clearing House shall do everything in its power to inform the member of the payment demand; likewise, insofar as this is not contrary to the Agreement with the Bank of Israel, the MAOF Clearing House shall do everything in its power to enable the member to defend itself against the aforesaid demand, at the member's expense, and shall assist it as far as possible, and all at the discretion of the MAOF Clearing House, taking into consideration the circumstances of the case.

9.4 9.4.1 Without derogating from the provisions of the Fixed Charges Agreement or from the provisions of these ByLaws, it is hereby clarified that a member does not have the right to withdraw securities or cash from any of the margin accounts or to perform any other action therein, apart from giving crediting instructions for the deposit of cash in the margin accounts at the Bank of Israel, with the consent of the MAOF Clearing House.

9.4.2 Without derogating from the provisions of section 9.4.1. above, should there be surplus margin in the margin accounts, relative to the margin required under the By-Laws, then the MAOF Clearing House shall refund an amount to the member that shall not exceed the surplus margin, in accordance with a request that shall be submitted by the member and will be approved by the MAOF Clearing House .

A request to withdraw cash collateral shall be submitted to the MAOF Clearing House using the Request to Withdraw Cash Collateral form attached as Appendix Fourteen of the By-Laws.

A request to withdraw securities that serve as collateral shall be submitted in the manner prescribed in the By-Laws of the TASE Clearing House.

For the purpose of this section –

“Surplus margin” – an amount equal to the difference between the amount of margin deposited in the margin accounts (as calculated according to section 7.1.2 above) and the higher of either the amount of margin required according to the By-Laws at the time of calculating the said difference, or the amount of margin required at the beginning of the trading day.

9.5 9.5.1 Each member shall sign the Fixed Charges Agreement which is attached as Appendix Twelve “B”.

9.5.2 Without derogating from the provisions of section 7.2. above, if a member placed a charge on one of its assets, prior to signing any of the aforementioned Fixed Charges Agreements (hereinafter: “a prior charge”), it shall provide the MAOF Clearing House, at the latter's request, with details of any such prior charge, and shall also provide, at the MAOF Clearing House's request, a letter of consent from the holders of the prior charge, worded in accordance with one of the two texts attached as Appendix Twelve and Appendix Twelve “A”, as applicable and as instructed by the MAOF Clearing House.

9.6 Expenses

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Without derogating from the provisions of the Fixed Charges Agreement or the By-Laws, the member shall bear all commissions, payments, expenses, taxes, levies or fees that are connected or involved with an agreement with the Bank of Israel or the margin accounts at the Bank of Israel and with the pledging and charging of the assets and rights in favor of the MAOF Clearing House and their realization; these amounts shall be added to all the other obligations of the member toward the MAOF Clearing House, shall be treated for all intents and purposes as an integral part thereof, and shall be paid by the member without delay, in the manner that it makes payments to the MAOF Clearing House, unless the MAOF Clearing House decides that the payment should be made in some other manner – in which case the payment shall be made in the said manner, and all as shall be decided by the MAOF Clearing House.

10. Realization of collateral

10.1 The realization of collateral shall be executed according to the following procedure:

- 10.1.1. a. When one or more of the events specified in section 1.1.2 of Chapter Seven “B” above occurs in connection with any member (hereinafter: “the member in violation”), and without derogating from the rights of the MAOF Clearing House under the said section, under the By-Laws or under any statute, the Board of Directors of the MAOF Clearing House shall have the right to decide, at its discretion (even if the MAOF Clearing House Board of Directors has not decided to impose an early termination of the MAOF transactions to which the member is party) on the realization of collateral in order to meet the member’s obligations, as well as the realization of collateral which the member in violation gave to the Risk Fund.
- b. Notwithstanding the provisions of subsection a. above, should the event mentioned in section 1.1.2 b. of Chapter Seven “B” of the By-Laws occur, the Manager of the MAOF Clearing House, in consultation with the CEO of TASE and the Chief Risk Officer, may make a decision regarding the realization of collateral, as prescribed in subsection a. above, and to make any other decision that the MAOF Clearing House Board of Directors is entitled to make under this section 10, all at his discretion.
- 10.1.2 Should the Board of Directors of the MAOF Clearing House decide to realize all or part of the margin given by a member in violation, as stipulated in section 10.1.1. above, then the following provisions shall apply:
- a. The MAOF Clearing House shall first realize the margin provided by the member in violation to secure the fulfillment of its obligations (and, as a consequence of this, such margin shall be the first to be reduced) and subsequently the MAOF Clearing House shall realize the Risk Fund margin provided by the member in violation;
- b. After having realized all the margin provided by the member in violation, as prescribed in subsection a. above, the MAOF Clearing House shall be obligated to pay out of its own resources – in respect of the obligations of the member in violation – an amount that shall be determined in accordance with the provisions of the Israel Securities Authority’s directive issued under Section 50C(b) of the Securities Law, 5728-1968;

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- c. Once the provisions of subsection b. above have been fulfilled, and without the need for further measures to be taken or for any notice or demand to be given by the MAOF Clearing House, every member that is not the member in violation (hereinafter: “the other member” or “the other members”, as applicable) shall be obligated to pay to the MAOF Clearing House an amount that shall be determined by the MAOF Clearing House, according to the ratio of the other member’s participation in the Risk Fund to the amount of the Risk Fund, minus the member in violation’s participation therein, provided that this amount shall not exceed the other member’s participation in the Risk Fund;
- d. 1) The MAOF Clearing House shall notify each other member that it must pay the MAOF Clearing House an amount that shall be determined by the MAOF Clearing House, according to the ratio of the other member’s participation in the Risk Fund to the amount of the Risk Fund, minus the member in violation’s participation therein, provided that this amount shall not exceed the other member’s participation in the Risk Fund (hereinafter: “the MAOF Clearing House Notice”);
- 2) The payments of the other members, as demanded under subsection d.1) above, shall be made immediately upon the delivery of the MAOF Clearing House Notice, in the manner articulated in Chapter Five above, unless the MAOF Clearing House decides that the payment should be made in some other manner – in which case the payment shall be made in the said manner, and all as shall be decided by the MAOF Clearing House;
- 3) If the all the amounts that the other member is obligated to pay, as stipulated in subsection d.1) above, were not actually paid as stipulated in subsection d.2) above, then the MAOF Clearing House shall be entitled to realize the margin deposited by the other member in all or any of its margin accounts, provided that the MAOF Clearing House shall not recoup from the other member, in respect of the obligations of the member in violation, an amount exceeding the other member’s participation in the Risk Fund;

10.2 Notwithstanding the provisions of section 10.1.2 above and without derogating from the obligations of any member toward the MAOF Clearing House under the By-Laws, under any agreement or under any statute, if – at the discretion of the MAOF Clearing House – there is any concern that the realization of collateral, including the amounts due from the MAOF Clearing House under the provisions of section 10.1.2.b above, according to the procedure stipulated in section 10.1.2 above, is liable to have an adverse effect on the on-going activity of the MAOF Clearing House or on the ability of the MAOF Clearing House to fulfill its obligations, or is liable to cause a deterioration in the ability of the MAOF Clearing House to collect the members’ secured obligations or any part thereof, or is liable to cause damage of any kind to the members or any of them, then the MAOF Clearing House shall be entitled to act in any of the following ways:

- a. To realize all or part of the collateral with which it has been provided, in a manner

other from that stipulated in subsection 10.1.2 above, or to realize it concurrently;

- b. To realize all or part of the collateral provided to it by all or some of the other members, including the realization of all or some of the cash collateral, provided to the MAOF Clearing House by all or some of the other members, including by way of withdrawal from the collateral accounts at the Bank of Israel, in which the cash was deposited, and this even without even delivering to the other members a MAOF Clearing House Notice, as specified in section 10.1.2.d.1) above;

Notification of the realization of pledged margin, as stipulated above, shall be sent to the member in violation and the other members, shortly after its execution.

10.3 It is hereby clarified that, should the Board of Directors of the MAOF Clearing House or the Manager of the MAOF Clearing House decide to realize collateral, as stipulated in section 10.1.1 above, the realization of the collateral, including, but without derogating from the generality of the aforesaid, all actions related thereto, and in this respect, discretion shall be exercised regarding all aspects thereof by the MAOF Clearing House, including by those to whom powers have been delegated (hereinafter: “the Authorized Persons”), as stipulated in section 11 below, and all in the amounts, according to the terms, in the manner and in the order that shall be prescribed by the MAOF Clearing House or by the Authorized Persons, as applicable, at their discretion.

11. Delegation of powers

- a. The MAOF Clearing House may (but is not bound to) delegate some of its powers under this Chapter Eight to any member or to a committee composed, inter alia, of representatives of members, of experts, of consultants or of third parties, and it may also engage any consultants, experts or third parties and authorize them – all at the discretion of the MAOF Clearing House – to carry out the acts or any part of them for the implementation of its duties pursuant to this Chapter.
- b. In order to remove any doubt, it is hereby clarified that neither the Board of Directors of the MAOF Clearing House nor the Manager of the MAOF Clearing House may delegate the power to decide on the realization of collateral that is prescribed in section 10.1.1 above.

12. Exemption from liability

Without derogating from the provisions of section 5 in Chapter Seven “B” above, the Board of Directors of the MAOF Clearing House, the MAOF Clearing House or anyone on its behalf (including persons to whom powers have been delegated as prescribed in section 11 above) shall be exempt of all liability for any act of commission or omission committed by them in good faith as part of the performance of their duties under the By-Laws or as part of the implementation of the Fixed Charges Agreement or the Floating Charge Agreement, including – but without derogating from the generality of the aforesaid – any act of commission or omission committed by them in the exercise of the discretion conferred on them by the By-Laws or by either of the aforesaid agreements, including in connection with the exercise of their powers under section 11 above or in connection with the submission of demands for payment, the realization or non-realization of collateral, or the provision or non-provision of a service or undertaking by the MAOF Clearing House to any member or to any other person.

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13. Temporary provisions

- 13.1 In addition to the that stated in this Chapter and in Chapter Two above, in all cases in which cash settlement is not performed by the Bank of Israel, the Clearing House, shall calculate, on a daily basis, the credits and debits on a member's account, the payment of which was supposed to have been executed by the Bank of Israel through the Bank of Israel's daily settlement, but, as stated, was not executed, and this starting from the first day settlement was not executed at the Bank of Israel until the day of calculation; the calculation shall be done by way of setting off the sum total of positive balances against the sum total of negative balances, for the purposes of arriving at the daily net cumulative balance to be credited or debited (hereinafter: "the daily balance").
- 13.2 Should the daily balance to be debited exceed 10% of a member's equity, according to the last financial statements filed by it, the Manager of the MAOF Clearing House shall instruct the member to deposit – at a time that shall be prescribed by the Manager of the MAOF Clearing House – collateral as specified in section 7.1.2. above in order to secure the member's cash settlement (hereinafter: "the additional collateral").
- 13.3 The value of the additional margin, as specified in section 7 above, shall equal the difference between the daily balance to be debited and the sum equaling 10% of the member's equity, according to the financial statements mentioned above.
- 13.4 The additional collateral shall be deposited in the member's dedicated main MAOF margin account, as stipulated in section 8 above, within the framework of a separate subaccount opened for this purpose.
- 13.5 It is hereby clarified that the additional collateral shall be deposited in addition to margin that the member is required to deposit to secure fulfilment of its obligations and its participation in the Risk Fund, in accordance with these By-Laws, and the provisions specified in sections 7-12 of this Chapter shall apply to such additional collateral, with the exception of section 8.2.4.
- 13.6 Should a member fail to deposit the additional collateral as required, by the date prescribed for this by the Manager of the MAOF Clearing House, the Director, who is the CEO of TASE (hereinafter, in this section: "the TASE CEO") shall order a temporary interruption in the provision of MAOF Clearing House services to the member (hereinafter: "a Temporary Interruption").
- Should the TASE CEO order a Temporary Interruption as stipulated above, he shall inform the Chairman of the Board of Directors of this without delay, and the latter shall act to convene the Board of Directors, at the earliest opportunity, to discuss the continuation of the provision of MAOF Clearing House services to the member.
- Should the member deposit the required additional collateral during the time the Temporary Interruption is in effect or should the member's cash settlement be carried out on its account at the Bank of Israel, the TASE CEO may order a resumption of the provision of the clearing services.
- 13.7 Nothing in the aforesaid shall derogate from any of the member's obligations to pay the MAOF Clearing House any amount owed to the MAOF Clearing House or from any right the MAOF Clearing House may have in respect of a member's default on any obligation of a member toward it, under these By-Laws or under any statute.

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14. The books of the MAOF Clearing House

Without derogating from any of the provisions in the Charges Agreement or in the By-Laws, the books of the MAOF Clearing House and its accounts shall be considered proof of the veracity of their contents, in all matters relating to the Charges Agreement, including with regard to the MAOF Clearing House's rights of lien and set off and, in particular, all matters relating to the secured debits in all their details, as well as the assets and rights that are charged and pledged in favor of the MAOF Clearing House in all their details.

CHAPTER NINE - REPORTING

1. Presentation of documents

- 1.1 A member shall present to the MAOF Clearing House samples of the following documents immediately after their preparation or immediately after any change being made therein:
 - 1.1.1 Standard engagement documents with clients;
 - 1.1.2 Agreements between it and its client for the creation of charges;
 - 1.1.3 Any other document which the Board of Directors shall prescribe.

2. Reports and documents regarding the capital and assets of a non-bank member

- 2.1 A non-bank member shall submit to the MAOF Clearing House financial statements and other reports, as required under section 20 of Part One of the TASE Rules.
- 2.2. Furthermore, a non-bank member shall submit to the MAOF Clearing House reports that relate to its assets, including charges thereon, in the format and at the times that shall be prescribed by the Board of Directors.

3. At the demand of the Board of Directors, the member shall support the reports and information it submits with auditors' or advocates' certifications.

4. Insurance policy

A non-bank member shall submit to the MAOF Clearing House a copy of every insurance policy taken out by it, of every change made therein, of every notice given by it thereunder and of every notice from the insurance company in relation to the member's notice or with implications for the effect and extent of the insurance – all those immediately after they were issued or received, as the case may be.

5. Open positions report

By 6 AM of every day, members shall report to the MAOF Clearing House the open positions in options of every client (including nostro), separately for each option held or written by the client at the end of the preceding trading day, and the open positions in futures of every client (including nostro), separately for each future series, and that in the manner that shall be prescribed by the Board of Directors, which shall include, inter alia, the following particulars:

- 5.1 The serial number of the option and of the future, and in respect of the nostro account, also the serial numbers of the TA-35 Index basket units;
- 5.2 The number of the client's account;
- 5.3 The open position in an option and the open position in a future series;

- 5.4 The type of client (stating whether the client is nostro or an institutional client, or a client that is neither nostro nor institutional).
6. When a client first seeks to carry out a transaction in options or in futures, it shall waive the confidentiality of its accounts toward the MAOF Clearing House, as far as that is necessary for the fulfillment of the MAOF Clearing House member's obligations toward the MAOF Clearing House.

The provisions of Chapter Six in Part One of the TASE Rules regarding supervision and control shall apply to the member, *mutatis mutandis*, and they shall be deemed to be part of the member's obligations toward the MAOF Clearing House.

CHAPTER TEN - USE OF THE MSR MAOF SYSTEM
AND THE MSR CASH COLLATERAL SYSTEM

1. In this Chapter–

- "MSR MAOF System" - A computerized system operated by the MAOF Clearing House, intended for the transmission of orders from members to the MAOF Clearing House and for the transmission of notifications and reports from the MAOF Clearing House to members;
- "MSR Cash Collateral System" - A computerized system operated by the MAOF Clearing House, that is intended for relaying orders from members to the MAOF Clearing House and for transferring notices and reports from the MAOF Clearing House to members
- "Agent" - A person to whom the MAOF Clearing House issued a personal authorization to use the MSR MAOF System, or in the MSR Cash Collateral System, as the case may be, in the member's name, in accordance with the member's request that was submitted to the MAOF Clearing House by the appointee on the member's behalf;
- "Appointee" - A person appointed by a member to be the member's authorized representative on all matters connected to requests from the MAOF Clearing House to authorize agents to use the MSR MAOF System or the MSR Cash Collateral System, as the case may be, and on matters connected to the cancellation of authorizations that had been given to agents.

2. a. The MAOF Clearing House shall, from time to time, prescribe the kinds of orders, reports and notifications that shall be transmitted from and to the MAOF Clearing House over the MSR MAOF System and the MSR Cash Collateral System.
- b. Any order that a member transmitted to the MAOF Clearing House over the MSR MAOF System or the MSR Cash Collateral System, as the case may be, shall not be transmitted to the MAOF Clearing House by any other means.
- If the MAOF Clearing House transmitted a report or a notification over the MSR MAOF System or the Cash Collateral System, as the case may be, it may – but is not obligated to – send it also by other means that are used at the MAOF Clearing House.
- c. In the event that it is not possible to transmit orders, reports or notifications over the MSR MAOF System or the MSR Cash Collateral System, as the case may be, the orders from members and notifications and reports from the MAOF Clearing House shall be transmitted by other methods, as the MAOF Clearing House shall prescribe.
- d. The MAOF Clearing House shall, from time to time, prescribe the means of accessing the

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MSR MAOF System and the MSR Cash Collateral System. Those means may include the user's name, a personal password, a token or any other means, as it shall prescribe from time to time (hereinafter: "means of access").

3. a. Use of the MSR MAOF System and the MSR Cash Collateral System, is restricted to agents.

The member shall decide who are the agents authorized to use the MSR MAOF System and the MSR Cash Collateral System on its behalf.

The MAOF Clearing House shall issue to the agents on behalf of each member personal authorizations to use MSR MAOF System or the MSR Cash Collateral System, as the case may be, and that according to the following provisions and as the MAOF Clearing House shall prescribe from time to time.

A member's request that authorization be issued to an agent on its behalf shall be submitted to the MAOF Clearing House by an appointee on behalf of that member.

- b. The member is responsible that only agents on its behalf act on the MSR MAOF System and the MSR Cash Collateral System

The member shall be responsible for every act performed on the MSR MAOF System and the MSR Cash Collateral System, by use of the means of access that were issued to agents on its behalf, also when the agent exceeded the authority granted it by the member and also when the act was performed by a person other than an agent.

The member shall bear any damage or expense caused the MAOF Clearing House in consequence of an aforesaid act.

- c. The member shall be responsible for the adoption of all the security measures that are required in order to safekeep the means of access given to an agent on its behalf.

If means of access that were issued to an agent are lost or stolen, the member shall immediately inform the MAOF Clearing House and request that the authorization issued to the agent who had held the means of access be canceled. Said request shall be submitted in the manner prescribed in subsection d. below.

The member shall bear the cost of the means of access that were stolen or lost as aforesaid.

If a member wishes to renew an authorization that was canceled in consequence of a loss or theft, as aforesaid, it shall submit an application for a new authorization.

- d. A request for the cancellation of an authorization shall be submitted to the MAOF Clearing House in writing.

When such a request is received at the MAOF Clearing House, the MAOF Clearing House shall cancel the authorization within the time specified below (hereinafter: "time to cancellation").

If the request to cancel an authorization is received by the MAOF Clearing House in the course of a trading day, the MAOF Clearing House shall cancel the authorization within three hours of receiving the request.

If the request to cancel an authorization is received by the MAOF Clearing House on a

day that is not a trading day or after a trading day ended, the MAOF Clearing House shall cancel the authorization by 10:00 AM of the first trading day after the date on which the notification was received by the MAOF Clearing House.

Until the end of the time to cancellation or until the MAOF Clearing House actually cancels the authorization, whichever is earlier, the member shall continue to be responsible for every act performed on MSR MAOF System or the MSR Cash Collateral System, as the case may be, according to the authorization.

When an authorization that was given to an agent has been canceled, the member shall deliver to the MAOF Clearing House all the physical means of access, by use of which access MSR MAOF System or the MSR Cash Collateral System, as the case may be, was made possible, and that within three business days of the cancellation request being received by the MAOF Clearing House.

If means of access are not returned as aforesaid, the MAOF Clearing House shall debit the member for the cost of the means of access.

4. a. A member shall appoint an appointee and shall send the MAOF Clearing House a deed of appointment of the appointee on its behalf, worded in accordance with the text attached as Appendix Nine "A" of the By-Laws.

As long as a deed of appointment of the appointee has not been canceled in the manner prescribed in subsection b. below, every act performed by the appointee shall for all intents and purposes be deemed an act performed by the member; the member shall be liable for all acts of the appointee and for any damage or expense caused the MAOF Clearing House in consequence of the appointee's acts.

- b. The cancellation of an appointee's deed of appointment shall be by a written notification from the member to the MAOF Clearing House. The cancellation shall go into effect at the end of the trading day on which the cancellation notification was received by the MAOF Clearing House. If the cancellation notification is received by the MAOF Clearing House on a day that is not a trading day, the cancellation shall go into effect at the end of the first trading day after the day on which the cancellation notification was received by the MAOF Clearing House.

All the authorizations issued before the cancellation of the appointee's deed of appointment shall remain in effect, as long as they were not canceled according to the provisions of these By-Laws.

- c. The MAOF Clearing House shall issue a member with authorizations to use MSR MAOF System or the MSR Cash Collateral System, as the case may be, solely at the request of the appointee on its behalf. The request for the issue of authorization to use the MSR MAOF System shall be as formulated in Appendix Nine "B" of the By-Laws while the request for the issue of authorization to use the MSR Collateral System shall be as formulated in Appendix Nine "B(1)" of the By-Laws.
- d. Authorizations issued by the MAOF Clearing House before this Chapter went into effect shall remain in effect, as long as they were not canceled by the member in the manner prescribed in the By-Laws.

APPENDIX ONE SCENARIOS FOR THE CALCULATION OF MARGIN

Each of the 44 scenarios shall also include – in addition to what is specified below – the annual shekel interest rate parameter, and in respect of underlying assets that are foreign currency exchange rates each of the 44 scenarios shall also include the annual foreign currency interest rate parameter.

Scenario no.	Index/foreign currency exchange rate/share price /debt instrument	Volatility in the scenario (volatility)
1	S	Annual volatility + volatility scan
2	S	Annual volatility - volatility scan
3	$S \times (1 + M \times 10\%)$	Annual volatility + volatility scan
4	$S \times (1 + M \times 10\%)$	Annual volatility - volatility scan
5	$S \times (1 - M \times 10\%)$	Annual volatility + volatility scan
6	$S \times (1 - M \times 10\%)$	Annual volatility - volatility scan
7	$S \times (1 + M \times 20\%)$	Annual volatility + volatility scan
8	$S \times (1 + M \times 20\%)$	Annual volatility - volatility scan
9	$S \times (1 - M \times 20\%)$	Annual volatility + volatility scan
10	$S \times (1 - M \times 20\%)$	Annual volatility - volatility scan
11	$S \times (1 + M \times 30\%)$	Annual volatility + volatility scan
12	$S \times (1 + M \times 30\%)$	Annual volatility - volatility scan

Scenario no.	Index/foreign currency exchange rate/share price /debt instrument	Volatility in the scenario (volatility)
13	$S \times (1 - M \times 30\%)$	Annual volatility + volatility scan
14	$S \times (1 - M \times 30\%)$	Annual volatility - volatility scan
15	$S \times (1 + M \times 40\%)$	Annual volatility + volatility scan
16	$S \times (1 + M \times 40\%)$	Annual volatility - volatility scan
17	$S \times (1 - M \times 40\%)$	Annual volatility + volatility scan
18	$S \times (1 - M \times 40\%)$	Annual volatility - volatility scan
19	$S \times (1 + M \times 50\%)$	Annual volatility + volatility scan
20	$S \times (1 + M \times 50\%)$	Annual volatility - volatility scan
21	$S \times (1 - M \times 50\%)$	Annual volatility + volatility scan
22	$S \times (1 - M \times 50\%)$	Annual volatility - volatility scan
23	$S \times (1 + M \times 60\%)$	Annual volatility + volatility scan
24	$S \times (1 + M \times 60\%)$	Annual volatility - volatility scan

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Scenario no.	Index/foreign currency exchange rate/share price /debt instrument	Volatility in the scenario (volatility)
25	$S \times (1 - M \times 60\%)$	Annual volatility + volatility scan
26	$S \times (1 - M \times 60\%)$	Annual volatility - volatility scan
27	$S \times (1 + M \times 70\%)$	Annual volatility + volatility scan
28	$S \times (1 + M \times 70\%)$	Annual volatility - volatility scan
29	$S \times (1 - M \times 70\%)$	Annual volatility + volatility scan
30	$S \times (1 - M \times 70\%)$	Annual volatility - volatility scan
31	$S \times (1 + M \times 80\%)$	Annual volatility + volatility scan
32	$S \times (1 + M \times 80\%)$	Annual volatility - volatility scan
33	$S \times (1 - M \times 80\%)$	Annual volatility + volatility scan
34	$S \times (1 - M \times 80\%)$	Annual volatility - volatility scan

Scenario no.	Index/foreign currency exchange rate/share price /debt instrument	Volatility in the scenario (volatility)
35	$S \times (1 + M \times 90\%)$	Annual volatility + volatility scan
36	$S \times (1 + M \times 90\%)$	Annual volatility - volatility scan
37	$S \times (1 - M \times 90\%)$	Annual volatility + volatility scan
38	$S \times (1 - M \times 90\%)$	Annual volatility - volatility scan
39	$S \times (1 + M)$	Annual volatility + volatility scan
40	$S \times (1 + M)$	Annual volatility - volatility scan
41	$S \times (1 - M)$	Annual volatility + volatility scan
42	$S \times (1 - M)$	Annual volatility - volatility scan
43*	$S \times (1 + 2 \times M)$	Double annual volatility
44*	$S \times (1 - 2 \times M)$	Double annual volatility

In the above table:

S – The closing index price of the basket or the closing price of the share or the last-known foreign currency exchange rate at the close of trade as specified in section 2.2.1.1 of Chapter Eight.

M – The price scan range of the closing index price of the basket or the closing price of the share or the last-known foreign currency exchange rate at the close of trade as specified in section 2.2.1.1 of Chapter Eight, as applicable.

* Stress testing.

APPENDIX TWO

Date _____

To: The MAOF Clearing House Ltd.**TRANSFER AGAINST PAYMENT TO A CUSTODIAN (CUSTODIAN ACT)**

We, the undersigned, request to transfer between us at the MAOF Clearing House – in accordance with Chapter Five “A” of the By-Laws of the MAOF Clearing House Ltd. – the following options and futures:

Signature and stamp of the transferor TASE member

Signature and stamp of the recipient TASE member

 * Signature and stamp of the clearing member for
 another of the transferor member

 * Signature and stamp of the clearing member for
 another of the recipient member

The transferor TASE member**The recipient TASE member**

Member No.	Member Name		Member No.	Member Name	

Particulars of the option/future

	Number	Name	No. of Units	Price (NIS)
1	XXXX	1 1 1		
2	XXXX	1 1 1		
3	XXXX	1 1 1		
4	XXXX	1 1 1		
5	XXXX	1 1 1		
6	XXXX	1 1 1		
7	XXXX	1 1 1		
8	XXXX	1 1 1		
9	XXXX	1 1 1		
10	XXXX	1 1 1		
Total				

Time of receipt at MAOF Clearing House:

Reference:

* Needed only if the transferor member or the recipient member is not a member of the MAOF Clearing House.

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APPENDIX TWO "A"

Date _____

To: The MAOF Clearing House Ltd.**APPLICATION TO CORRECT TRANSFER TO CUSTODIAN ORDERS/APPLICATION
TO CORRECT ORDERS TO TRANSFER OPTIONS OR FUTURES WITHOUT
MONETARY CONSIDERATION**

(Delete whichever is inapplicable)

Requesting TASE Member _____ **Member No.** _____**Telephone No. for Inquiries** _____**Original Order Execution Date** _____

Executed Order					Correction Requested			
Reference	Derivative	Derivative	Quantity	Price*	Derivative	Derivative	Quantity	Price*

Transferor TASE Member _____ **Member No.** _____ **Member's Stamp** _____

Signatory A _____ Signature _____ Signatory B _____ Signature _____

Clearing Member for the Transferor Member _____ **Member No.** _____**Member's Stamp**

Signatory A _____ Signature _____ Signatory B _____ Signature _____

Recipient TASE Member _____ **Member No.** _____ **Member's Stamp** _____

Signatory A _____ Signature _____ Signatory B _____ Signature _____

Clearing Member for the Recipient Member _____ **Member No.** _____**Member's Stamp**

Signatory A _____ Signature _____ Signatory B _____ Signature _____

* Relevant only for transfer to custodian orders.

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APPENDIX TWO "B"

Date _____

To: The MAOF Clearing House Ltd.**APPLICATION TO CANCEL TRANSFER TO CUSTODIAN ORDERS/APPLICATION
TO CANCEL ORDERS TO TRANSFER OPTIONS OR
FUTURES WITHOUT MONETARY CONSIDERATION**

(Delete whichever is inapplicable)

Requesting TASE Member _____ **Member No.** _____**Telephone No. for Inquiries** _____**Original Order Execution Date** _____**Requested Cancellation**

Reference	Derivative Name	Derivative No.	Quantity	Price*

Transferor TASE Member _____ **Member No.** _____ **Member's Stamp** _____

Signatory A _____ Signature _____ Signatory B _____ Signature _____

Clearing Member for the Transferor Member _____ **Member No.** _____**Member's Stamp** _____

Signatory A _____ Signature _____ Signatory B _____ Signature _____

Recipient TASE Member _____ **Member No.** _____ **Member's Stamp** _____

Signatory A _____ Signature _____ Signatory B _____ Signature _____

Clearing Member for the Recipient Member _____**Member No.** _____**Member's Stamp** _____

Signatory A _____ Signature _____ Signatory B _____ Signature _____

Date, stamp and signature of the cash settlement member _____

* Delete whichever is inapplicable.

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APPENDIX TWO "C"

Date- _____

To: The MAOF Clearing House Ltd.**ORDER TO TRANSFER OPTIONS AND FUTURES WITHOUT MONETARY CONSIDERATION**

In accordance with the provisions of Chapter Five "B" of the MAOF Clearing House's By-Laws, we, the undersigned, request to transfer the following options and futures between us at the MAOF Clearing House:

Transferor TASE Member		Receiving Stock Exchange Member	
Member No.	Member's Name	Member No.	Member's Name

Reference: _____ Time of receipt at MAOF Clearing House: _____

Option/Future Details

	Number	Name	No. of Units
1	XXXX 1 1 1		
2	XXXX 1 1 1		
3	XXXX 1 1 1		
4	XXXX 1 1 1		
5	XXXX 1 1 1		
6	XXXX 1 1 1		
7	XXXX 1 1 1		
8	XXXX 1 1 1		
9	XXXX 1 1 1		
10	XXXX 1 1 1		
Total			

Signature and stamp of the transferor TASE member_____
Signature and stamp of the recipient TASE Member_____
*Signature and stamp of the clearing member
for another of the transferor member_____
*Signature and stamp of the clearing member for
another of the recipient member

* Needed only if the transferor member or the recipient member is not a member of the MAOF Clearing House.

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APPENDIX THREE

To:

The MAOF Clearing House Ltd.

2 Ahuzat Bayit Street

Tel Aviv

Re: Application for Membership of the MAOF Clearing House

1. We, (applicant's name) _____ (hereinafter: "the company"), the address of whose Tel Aviv office is _____ do hereby apply to become a member of the MAOF Clearing House at the Tel-Aviv Stock Exchange Ltd. (hereinafter: "the MAOF Clearing House").
2. We declare that we have studied the By-Laws of the MAOF Clearing House.
3. We hereby undertake – if we are accepted as members of the MAOF Clearing House – to comply with the provisions and conditions in the By-Laws of the MAOF Clearing House, as they shall be from time to time.
4. Our company's equity amounts to NIS _____ .
5. The particulars of the insurance policy, under which our company shall be insured, are as follows: _____
6. Our company has the means and professional manpower that enable us to function in an orderly manner in the MAOF Clearing House.
7. We undertake to sign an undertaking toward the MAOF Clearing House and toward its members, as worded by the Board of Directors.
8. We undertake to pay annual membership dues, as shall be prescribed from time to time by the Board of Directors.
9. We undertake to deposit margin on every trading day, of the kinds and to the value that shall be prescribed by the MAOF Clearing House.
10. For non-bank members only: Cash settlement shall be carried out for us through the _____ Bank.

Date: _____ The company: _____

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APPENDIX FOUR

UNDERTAKING OF A MEMBER TO CLEAR TRANSACTIONS FOR AN NCHM

To: The MAOF Clearing House Ltd.

Re: Our undertaking in respect of the transactions and obligations of the company / bank

1. We are responsible toward you for the clearing of all MAOF transactions, that shall be cleared by our account at the MAOF Clearing House Ltd and for the monetary obligations toward the MAOF Clearing House arising therefrom, of the company / bank _____ (hereinafter: "the company"), which is a member of TASE but is not a member of the MAOF Clearing House Ltd.
2. Notwithstanding any provision in the MOAF clearing agreement between us and the company:
 - a. This, our undertaking toward you, is not limited in amount and it covers every debt that stems from MAOF transactions, even if – in consequence thereof – we shall be debited in an amount that is greater than the amount agreed upon between us and the Company;
 - b. This, our undertaking toward you, is not limited in time and it shall expire 15 minutes after written notice signed by us is delivered to the CEO of the MAOF Clearing House, and in his absence – to the CEO of TASE, stating that our undertaking has been terminated. Consequently, we shall be responsible for clearing all transactions carried out by the NCHM until fifteen minutes after the said written notice was delivered, including any obligation in respect of the said transactions, the payment date of which is later than the expiration date of this undertaking.
3. You are entitled to debit our account at the _____ Bank, and our signature on this deed constitutes an irrevocable authorization for you and for the _____ Bank to debit our account in respect of the MAOF transactions that shall be carried out by the company and in respect of any monetary obligation created as stated in sections 1 and 2 above.

I, the undersigned, _____, Adv., of _____, who serves as the legal adviser of the MAOF Clearing House member, _____ (hereinafter: "the member"), hereby certify that the undertaking above has been signed legally by the member.

Date

Signature and stamp of the MAOF Clearing House member

APPENDIX FIVE**To:****MAOF Clearing House Ltd. (hereinafter: "the MAOF Clearing House")****2 Ahuzat Bayit Street****Tel Aviv****Re: Authorization for the MAOF Clearing House in respect of Cash Settlement
on Behalf of a Non-Bank Member**

Debit Ceiling

Whereas We, the undersigned, serve as the cash settlement member on behalf of
_____ (hereinafter: "**the non-bank member**");

and whereas The non-bank member has applied to us with a request that we provide you with an authorization to debit our Cash Account each business day in respect of the amounts with which the non-bank member shall be debited and which result from the multilateral settlement that shall take place on that business day, and this up to the amount specified below, and all as specified hereunder.

You are hereby entitled to debit our account at the Bank of Israel that is designated for the execution of cash credits and debits by the MAOF Clearing House (hereinbefore and hereinafter: "**the Cash Account**") and our signature of this authorization constitutes an authorization for you and the Bank of Israel to debit our Cash Account, on each business day, with any amount with which the non-bank member shall be debited and which results from the multilateral settlement that shall take place on that business day, and on condition that the total of all the amounts with which we shall be debited as stipulated above, on any business day shall not exceed NIS _____ (and, in words: _____ shekels).

The above authorization is not limited in time and shall be fully in effect until the cancellation of this authorization, as specified in the MAOF Clearing House By-Laws and subject to its provisions.

All the terminology in this authorization shall be interpreted according to their meaning in the MAOF Clearing House By-Laws, unless the context dictates otherwise.

Date: _____

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APPENDIX FIVE "A"**To:****MAOF Clearing House Ltd. (hereinafter: "the MAOF Clearing House")****2 Ahuzat Bayit Street****Tel Aviv****Re: Irrevocable Authorization to Debit Our Account at the Bank of Israel****Multilateral Settlement Exceeding the Debit Ceiling**

Whereas We, the undersigned, serve as the cash settlement member on behalf of _____ (hereinafter: "**the non-bank member**");

and whereas As a result of the settlement of a multilateral payment order, it is anticipated that the cash balance standing to the debit of the non-bank member shall exceed the debit ceiling, as specified in the authorization delivered to you by us in respect of the obligations of the non-bank member;

and whereas The non-bank member has applied to us with a request that we provide you with an authorization to debit our cash account with an additional amount as specified below.

We hereby confirm that, in addition to the authorization given you to debit our account at the Bank of Israel in the amount of the debit ceiling, you are authorized to debit our account that is kept at the Bank of Israel and that is designated for the execution of cash credits and debits by the MAOF Clearing House (hereinafter: "**the Cash Account**") and our signature of this authorization constitutes an irrevocable authorization for you and the Bank of Israel to debit our Cash Account with an additional amount of NIS _____ (and, in words: NIS _____ shekels), and that in respect of debits of the non-bank member that are expected in the first / second / third* clearing window on _____, _____.

All the terminology in this authorization shall be interpreted according to their meaning in the MAOF Clearing House By-Laws, unless the context dictates otherwise.

Date

Signature and stamp of the cash settlement member

* Delete whichever is inapplicable.

APPENDIX SIX
CANCELLED

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APPENDIX SEVEN
CANCELLED

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APPENDIX EIGHT
CANCELLED

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APPENDIX NINE "A"

To:

**MAOF Clearing House Ltd. (hereinafter: "the MAOF Clearing House")
2 Ahuzat Bayit Street
Tel Aviv**

Deed of Appointment of an Appointee

We, the undersigned _____ do hereby give notice that we have appointed Mr./Ms.

Name of Member

_____, holder of ID No. _____ (hereinafter: "**the Appointee**"), as

Name of Appointee

Appointee on our behalf to apply to you with requests in all matters relating to the grant of privileges to use the MSR MAOF System / MSR Cash Collateral System* for anyone on our behalf on the MSR MAOF System / MSR Cash Collateral System * and relating to the cancellation of privileges granted.

The Appointee is legally authorized to obligate the MAOF Clearing House in all matters relating to applications requesting privileges to use the MSR MAOF System / MSR Cash Collateral System * and applications requesting their cancellation.

Without derogating from the generality of the aforesaid:

1. The Appointee is authorized to apply in our name and on our behalf to the MAOF Clearing House with requests for the grant of privileges to use the MSR MAOF System / MSR Cash Collateral System * on each of the accounts managed for us at the MAOF Clearing House.
2. The Appointee is authorized to receive in our name and on our behalf, all means of access to the MSR MAOF System // MSR Cash Collateral System *.
3. The Appointee is authorized to apply in our name and on our behalf to the MAOF Clearing House with requests for the cancellation of any privileges to use the MSR MAOF System / MSR Cash Collateral System* granted to us on each of the accounts managed for us at the MAOF Clearing House.
4. The Appointee is authorized to sign – in our name – any document and/or form and/or declaration and/or undertaking, as shall be required under the By-Laws of the MAOF Clearing House, as these shall be from time to time (hereinafter: "the By-Laws") and under the procedures that the MAOF Clearing House shall prescribe, as these shall be from time to time, in connection with the grant of privileges to use the MSR MAOF System / MSR Cash Collateral System* and with their cancellation.

Any act performed by the Appointee under this Deed of Appointment, shall be viewed – for all intents and purposes – as an act performed by us.

As long as the MAOF Clearing House has not canceled privileges granted to us at the request of the Appointee, as set forth in the By-Laws and subject to the provisions thereof, we shall be responsible for any act performed on the MSR MAOF System / MSR Cash Collateral System *, through the use of means of access issued to anyone authorized to act on our behalf, even if the person so authorized

* Delete the inapplicable.

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exceeded the authority that we conferred upon him to work on the MSR MAOF System / MSR Cash Collateral System*, and even if the act was performed by an unauthorized person.

If this Deed of Appointment should be canceled, in accordance with the provisions of the By-Laws, all the privileges issued by the MAOF Clearing House prior to the cancellation of the Deed of Appointment going into effect shall continue to be valid so long as they have not been canceled in accordance with the provisions of these By-Laws.

Nothing in the Deed of Appointment and in its provisions shall be deemed to derogate from our full responsibility toward the MAOF Clearing House for the acts of the Appointee and the authorized persons, as specified in the By-Laws.

This Deed of Appointment shall remain in force so long as it has not been canceled, in the manner prescribed in the By-Laws and subject to the provisions thereof.

All the terms in this Deed of Appointment shall be interpreted according to their meaning in the By-Laws, unless the context dictates otherwise.

Date Signature and stamp of the MAOF Clearing House member

I, the undersigned, _____, Adv., of _____, who serves as the legal adviser of the MAOF Clearing House member, _____ (hereinafter: "the member"), do hereby certify that _____, holder of ID No. _____, and _____, holder of ID No. _____, have signed this Deed of Appointment in my presence after I identified them (hereinafter: "the authorized signatories"). The authorized signatories are authorized to sign this Deed of Appointment in the name of the member, and their signatures bind the member.

Date Signature and stamp

Particulars of the Appointee

Name of the Appointee, his position with the member, telephone no., fax no., email, and specimen signature

I, the undersigned, _____, Adv., of _____, do hereby certify that the above signature is the signature of _____, holder of ID No. _____ ("the Appointee").

Date Signature and stamp

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APPENDIX NINE "B"

To:

**MAOF Clearing House Ltd. (hereinafter: "the MAOF Clearing House")
2 Ahuzat Bayit Street
Tel Aviv**

Request for Grant of Privileges to Use the MSR MAOF System

1. Under the Deed of Appointment dated _____ that was delivered to you by

Name of Appointing Member
(hereinafter: "**the Member**"), I, the undersigned, _____ serve as Appointee on
behalf of _____ for the purpose of submitting requests for the grant of
Full Name of Member
privileges to use the MSR MAOF System.
2. Under the authority granted to me by the Member, I am hereby applying to you in the name of
the Member and on its behalf with a request for the grant of privileges to use the MSR MAOF
System, as set forth below:
 - a. Full name of the person for whom privileges are being requested and his ID number
(hereinafter: "**the Authorized Person**"):

_____	_____	_____
(Agent's name)	(Agent's name in English)	(Agent's ID number)
 - b. The Member's subaccounts on which the Authorized Person shall be authorized to
operate:

<u>Name of Account</u>	<u>Account Number</u>
_____ MAOF Clients	80 _____
Member's Name	MAOF Member's Number (8xxx)
_____ MAOF Nostro	80 _____
Member's Name	MAOF Member's Number (8xxx)
_____	80 _____
Member's Name	MAOF Member's Number (8xxx)

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c. The acts that the Authorized Person may perform* :

- MAOF custodian reporter
- MAOF transfers reporter
- MAOF observation
- Member supervisor
- Member signature management
- Other _____
- Other _____

* Please mark the actions that the authorized user is permitted to perform.

All the terms in this request shall be interpreted according to their meaning in the By-Laws, unless the context dictates otherwise.

Date

Signature of Appointee

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APPENDIX NINE "B (1)"**To:****MAOF Clearing House Ltd. (hereinafter: "the MAOF Clearing House")****2 Ahuzat Bayit Street****Tel Aviv****Request for Authorization to Use the MSR Cash Collateral System**

1. According to the Writ of Appointment, dated _____, which was delivered to you by _____ (hereafter: "the member"), I, the undersigned name of appointing member _____, am the member's appointee for the submission of requests appointee's full name _____ for authorizations to use the MSR Cash Collateral System.
2. In accordance with the authority vested in me by the member I hereby request on behalf of the member and in his name that you issue authorization for use of the MSR Cash Collateral System for deposit / withdrawal orders of cash collateral, as specified below:
- a) full name and ID number of person for whom authorization is requested (hereinafter: the "agent"):
- | | | |
|--------------------------|---------------------------|---------------------|
| _____ | _____ | _____ |
| (Agent's name in Hebrew) | (Agent's name in English) | (Agent's ID number) |
- b) the member's sub-accounts, in which the agent will be authorized to act:
- | | | | |
|----|-----------------|---|-------------------|
| 1) | _____ | , | _____ |
| | Name of account | | Number of account |
| 2) | _____ | , | _____ |
| | Name of account | | Number of account |
| 3) | _____ | , | _____ |
| | Name of account | | Number of account |
- c) Authority of agent to act in the MSR Cash Collateral System*:
Operator / Inspector¹

All the terms in this Deed of Appointment shall be interpreted according to their meaning in the By-Laws, unless the context dictates otherwise.

_____	_____
Date	Signature of Appointee

* Delete the inapplicable.

¹ Operator - Whoever is entitled to enter orders into the MSR Cash Collateral System.
Inspector - Whoever approves the order of the operator (An inspector may also be an operator, but may not approve actions Which he carried out as an operator)

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APPENDIX TEN
CANCELLED

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APPENDIX ELEVEN**MEMBER'S APPROVAL FOR THE MAOF CLEARING HOUSE TO OPEN AN ACCOUNT AT THE BANK OF ISRAEL, ITS DECLARATIONS AND ITS UNDERTAKINGS TOWARD THE BANK OF ISRAEL****To:****The Bank of Israel, POB 780, Jerusalem 91007****MAOF Clearing House Ltd., 2 Ahuzat Bayit Street, Tel Aviv****Re: Approval to Open an Account at the Bank of Israel and for its Management**

1. We confirm to being aware that an agreement has been signed to open an account at the Bank of Israel and for its management for the purpose of managing the cash collateral given by us to the MAOF Clearing House Ltd. (hereinafter: "**the Account Opening Agreement**") and we hereby agree to all the provisions in the Account Opening Agreement, as these shall be from time to time, insofar as our agreement is required.
2. We hereby confirm that the Bank of Israel may execute any instruction given to it by the MAOF Clearing House Ltd. in connection with the cash in the account.
3. We are aware and agree that the Account Opening Agreement governs the relations between the Bank of Israel and the MAOF Clearing House Ltd. and that, consequently, we shall not have any right or remedy or grounds for a claim toward the Bank of Israel or toward anyone on its behalf in any matter pertaining to the Account Opening Agreement and the execution of any act on the account.
4. We hereby exempt the Bank of Israel and anyone on its behalf from any responsibility or liability whatsoever for any loss, damage, expense or failure, of any kind whatsoever, which might be caused by any act on the account, including the fulfillment or non-fulfillment of the Agreement's provisions.
5. We hereby declare that we are aware that – were it not for our express consents, declarations and undertakings, as referred to above, the Bank of Israel would not have engaged with the MAOF Clearing House Ltd. to enter into the Account Opening Agreement.

Yours sincerely,

On behalf of (Name+Stamp+Signature)

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Advocate's Certification

I the undersigned, Adv. _____, ID No. _____ License No. _____, do hereby confirm that all the above signatories to this document signed the document in my presence after I identified them through their ID card/employee ID, that they are known to me personally and that they are authorized to sign and make commitments on behalf of _____.

Stamp and signature

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APPENDIX TWELVE

To:
 MAOF Clearing House Ltd. (hereinafter: “**the MAOF Clearing House**”)
 2 Ahuzat Bayit Street
 Tel Aviv

Date: _____

Dear Sirs,

Re: Letter of Consent

- In this document, the terms set forth below shall have the meanings recorded next to them:
 “The Agreement” - The agreement signed between the MAOF Clearing House Ltd. (hereinafter: “**the MAOF Clearing House**”) and _____ (hereinafter: “**the member**”) on _____, which is entitled “Pledge and Secured Note Agreement” and is attached and identified as Appendix A
 “The pledged assets” - All the pledged assets, within their meaning in the Agreement.
- We hereby confirm that the pledged assets, which have been charged in favor of the MAOF Clearing House under the Agreement, do not include the assets pledged to us under the agreements signed between us and the member or by any other means. Likewise, we confirm that we have no claim nor right in connection with the pledged assets, or any part thereof, that have been charged in favor of the MAOF Clearing House, and we agree that our rights by virtue of the liens in our favor shall not apply to the pledged assets, or to any part thereof.

Yours sincerely,

 (Holder of the lien)

I, the undersigned, _____, Adv., of _____, who serves as the legal adviser of the company, _____ (hereinafter: “the Company”), hereby certify that _____, holder of ID No. _____, and _____, holder of ID No. _____, have signed this letter in my presence after I identified them (hereinafter: “the authorized signatories”). The authorized signatories are authorized to sign this Letter of Consent in the name of the company, and their signatures bind the Company.

 Date

 Signature and Stamp

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APPENDIX TWELVE "A"

To:
 MAOF Clearing House Ltd. (hereinafter: "**the MAOF Clearing House**")
 2 Ahuzat Bayit Street
 Tel Aviv

Date: _____

Dear Sirs,

Re: Letter of Consent

- In this document, the terms set forth below shall have the meanings recorded next to them:
 "The Agreement" - The agreement signed between the MAOF Clearing House Ltd. (hereinafter: "**the MAOF Clearing House**") and _____ (hereinafter: "**the member**") on _____, which is entitled "Pledge and Secured Note Agreement" and is attached and identified as Appendix A;
 "The pledged assets" - All the pledged assets, within their meaning in the Agreement.
- We hereby agree that the pledged assets, which have been charged in favor of the MAOF Clearing House under the Agreement, shall be excluded from the assets pledged to us under the agreements signed between us and the member or by any other means. Likewise, we confirm that we have no claim nor right in connection with the pledged assets, or any part thereof, that have been charged in favor of the MAOF Clearing House, and we agree that our rights by virtue of the liens in our favor shall not apply to the pledged assets, or to any part thereof.

Yours sincerely,

 (Holder of the lien)

I, the undersigned, _____, Adv., of _____, who serves as the legal adviser of the company, _____ (hereinafter: "**the Company**"), hereby certify that _____, holder of ID No. _____, and _____, holder of ID No. _____, have signed this letter in my presence after I identified them (hereinafter: "**the authorized signatories**"). The authorized signatories are authorized to sign this Letter of Consent in the name of the company, and their signatures bind the Company.

 Date

 Signature and Stamp

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APPENDIX TWELVE “B”
PLEDGE AND SECURED NOTE AGREEMENT

Drawn up and signed in Tel Aviv on Day_____ Month_____ Year _____

Between

Co. No. _____

(hereinafter: “**the member**”)

and

MAOF Clearing House Ltd.

Co. No. 511122582

(hereinafter: “**MAOF Clearing House**”)

- Whereas The member is a member of the MAOF Clearing House and carries out derivative transactions (as defined below) through the MAOF Clearing House and also receives additional services from the MAOF Clearing House, all as specified in the TASE Rules and the Regulations thereunder, and in the By-Laws of the MAOF Clearing House, in the profile of the derivatives and in the decisions of the Board of Directors of the MAOF Clearing House (hereinafter, all these shall be called: “**the Legislative Arrangement**”);
- and whereas Under the Legislative Arrangement, members of the MAOF Clearing House must provide the MAOF Clearing House with fixed charges (hereinafter “**the Charges**”), in favor of the MAOF Clearing House, as guaranty for the fulfillment of their obligations toward the MAOF Clearing House, as specified below and all as specified in the Legislative Arrangement;
- and whereas The parties desire to arrange in this agreement for the creation of the Charges, and all that – without derogating from the rights of the MAOF Clearing House under the By-Laws or under any statute, and all as specified below in this agreement and in accordance with its terms and conditions;

It is therefore agreed and stipulated between the member and the MAOF Clearing House as follows:

1. Introduction and interpretation

- 1.1 The introduction, the appendices and the attachments to this agreement constitute an integral part thereof.
- 1.2 The division of this agreement into sections and the headings that appear therein are there for the sake of convenience only and are not to be used for purposes of interpretation.

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- 1.3 In this agreement, the terms specified below shall have the meaning stated next to them:
- 1.3.1 **“Bank”** – within its meaning in the Banking Licensing Law, 5741-1981;
 - 1.3.2 **“Bank of Israel”** – within its meaning in the Bank of Israel Law, 5770-2010;
 - 1.3.3 **“TASE”** – the Tel-Aviv Stock Exchange Ltd.;
 - 1.3.4 **“The secured obligations”** – as defined in section 2 below;
 - 1.3.5 **“The main MAOF margins account”** – Account no. _____ kept at the TASE Clearing House in the name of the MAOF Clearing House (including all its sub-accounts), which is intended for the deposit of securities by the member, that shall be used as margin in favor of the MAOF Clearing House, as required under the Legislative Arrangement.
 - 1.3.6 **“The margin accounts at the Bank of Israel”** – each of the following:
 - 1.3.6.1 Account no. _____ (including all its sub-accounts, whatever the number or other means of identification given to the account, from time to time, by the Bank of Israel, in place of the aforesaid number or in addition thereto), as well as the reserve accounts connected therewith (including all their sub-accounts, whatever the number or other means of identification given to them, from time to time, by the Bank of Israel) kept in the name of the MAOF Clearing House on the RTGS System operated at the Bank of Israel and which are intended for the deposit of cash by members of the MAOF Clearing House, including the member, that is used as margin in favor of the MAOF Clearing House, under the Legislative Arrangement;
 - 1.3.6.2 Account no. _____ (including all its sub-accounts, whatever the number or other means of identification given to the account, from time to time, by the Bank of Israel, in place of the aforesaid number or in addition thereto), kept in the name of the MAOF Clearing House on the accounting system of the Bank of Israel and which is intended for the deposit of cash that shall be transferred from any of the accounts referred to in section 1.3.6.1 above and/or for the deposit of cash by members of the MAOF Clearing House, including the member, that is used as margin in favor of the MAOF Clearing House, under the Legislative Arrangement;
 - 1.3.6.3 Another account at the Bank of Israel or on the payments system kept by the Bank of Israel, or anyone on its behalf, or an account at a Bank, which is intended for the deposit of cash that shall be transferred from any of the accounts referred to in sections 1.3.6.1 and 1.3.6.2 – whether for the purpose of realizing the pledged and charged assets or for another purpose;
 - 1.3.7 **“The Legislative Arrangement”** – the TASE Rules and the Regulations thereunder, the By-Laws of the MAOF Clearing House and the decisions of the Board of Directors of the MAOF Clearing House, as worded from time to time;
 - 1.3.8 **“The pledged and charged assets”** – all the assets and rights that are pledged and charged under the provisions of section 4 of this agreement

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- 1.3.9 “**By-Laws**” – the By-Laws of the MAOF Clearing House, within their meaning in the Deeds of Incorporation of the MAOF Clearing House, as they shall be from time to time, including the rules and directives prescribed by the MAOF Clearing House, under the provisions of the Securities Law, 5728-1968, as they shall be from time to time, and also including the directives prescribed by the MAOF Clearing House, which govern the relations between the MAOF Clearing House and members of the MAOF Clearing House, as they shall be from time to time;
- 1.3.10 “**Securities**” – of all types and kinds whatsoever, including:
- a. Securities, within their meaning in the Securities Law, 5728-1968, including options or futures as defined in the Joint Investment Trusts Law 5755-1994;
 - b. Any security issued by the State;
- 1.3.11 “**The TASE Clearing House**” – the Tel-Aviv Stock Exchange Clearing House Ltd.;
- 1.3.12 “**The MAOF Clearing House**” – the MAOF Clearing House Ltd.;
- 1.3.13 “**The RTGS System**” – the payments system for intra-day real time gross settlement (RTGS) of payments operated at the Bank of Israel;
- 1.3.14 “**MAOF transactions**” – within their meaning in the By-Laws;
- 1.3.15 “**The Risk Fund**” – the Risk Fund of the MAOF Clearing House, as specified in Chapter Two of the By-Laws;
- 1.3.16 “**Business day**” – within its meaning in the By-Laws.

2. The secured obligations

- 2.1 This agreement has been drawn up as a guaranty for the complete and precise fulfillment of all obligations of the member toward the MAOF Clearing House – present and future, renewing or conditional, in fixed amounts and not in fixed amounts, as they shall be from time to time, of any type or kind, including – but without derogating from the generality of the aforesaid – the obligation to pay all the following amounts:
- 2.1.1 Every amount that stems from any obligation which the member assumed, for itself or for its client or for another TASE member or for a client of an aforesaid member, or for any other person, including – but without derogating from the generality of the aforesaid – every amount that stems from any obligation of the member in respect of MAOF transactions carried out by it for itself or for its client or in respect of MAOF transactions carried out by another TASE member for itself or for its client;
- 2.1.2 Every amount that stems from any obligation that the MAOF Clearing House assumed, for the member, under the Legislative Arrangement, including – but without derogating from the generality of the aforesaid – any obligation in connection with the performance of MAOF transactions by the member, for itself or for its client or for some other person, or in connection with the performance of MAOF transactions for which the member is liable under the Legislative

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Arrangement, by another TASE member for itself or for its client;

- 2.1.3 Every amount that stems from the MAOF Clearing House or anyone on its behalf changing or closing the member's open positions, including – but without derogating from the generality of the aforesaid – any amount that stems from a sale or transfer of options or futures from the member's account or from their purchase for the member's account;

For this purpose, the meaning of “the member's open positions” includes the open positions of its clients, including a TASE member and that member's clients, for whose transactions the member is liable under the Legislative Arrangement;

“The member's account” means the members account for itself (nostro) and also the member's account for its clients, including another TASE member and that member's clients, for whose transactions the member is liable under the Legislative Arrangement;

- 2.1.4 Any amount that stems from the member's undertaking in respect of the member's participation in the Risk Fund;
- 2.1.5 Every amount, including interest, linkage differentials, fees or costs, which the member must bear under the Legislative Arrangement or under the provisions of this agreement or under any statute, including – but without derogating from the generality of the aforesaid – all the member's obligations in connection with the performance of transactions or acts for itself or for another, as well as all the member's obligations in connection with the performance of transactions or acts by another TASE member or by any third party, for itself or for its client or for another;

(All the above obligations shall hereinafter be called: “**the secured obligations**”).

2.2 The secured obligations are **not limited in amount**.

3. The member's undertaking to fulfill the secured obligations

The member hereby undertakes toward the MAOF Clearing House to fulfill all the secured obligations, at the times set therefor in the Legislative Arrangement and, if no such time has been set, then within one business day from the date of a demand by the MAOF Clearing House, or at the time set in the aforesaid demand, whichever is the earlier.

4. First-ranking fixed charges

As guaranty for the complete and precise fulfillment of all the secured obligations and of every part thereof, the member hereby pledges and charges all the assets and rights specified below in favor of the MAOF Clearing House with a first-ranking fixed charge and through an endorsement by way of lien, without any limit on the amount:

- 4.1 All rights of any type or kind in the main MAOF margin account, including – but without derogating from the generality of the aforesaid – all the securities that are deposited or recorded to the credit of the main MAOF margin account or which shall from time to time be deposited or recorded to the credit of the aforesaid account, and all their yield and/or any right derived therefrom or connected thereto, including the

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monetary consideration for the sale or realization of the aforesaid securities;

- 4.2 All the rights of any type or kind in each of the margin accounts at the Bank of Israel, including – but without derogating from the generality of the aforesaid – all the rights to receive money deposited or recorded to the credit of each of the aforesaid accounts, from time to time, and all their yield or any right derived therefrom or connected thereto;

5. Permanent and renewing liens

- 5.1 Each of the liens under this agreement shall be of a permanent and renewing nature, and it shall be in full effect until the date on which the MAOF Clearing House gives written certification of its cancellation.
- 5.2 Without derogating from the generality of the aforesaid, the validity of each of the liens under this agreement shall not be adversely affected, even if – during a certain period – the member has no obligations whatsoever toward the MAOF Clearing House, or even if changes are made in this agreement or in the Legislative Arrangement or in the services provided to the member by the MAOF Clearing House.
- 5.3 It is hereby agreed that the MAOF Clearing House shall have the right – without the member's consent – to reduce, increase, change or renew any service or undertaking to be given by it to any other person, including another member of the MAOF Clearing House, inter alia – without derogating from the generality of the aforesaid – in all matters connected to margin that the MAOF Clearing House shall receive from another MAOF Clearing House member, including the lien's terms or the way margin is held, and all without derogating from or adversely affecting the validity of each of the liens under this agreement, or of the member's obligations toward it, including obligations it assumed for others.

6. Member's declaration and undertakings

- 6.1 The member hereby declares as follows:
- 6.1.1 There is nothing under any statute, agreement or undertaking that prevents, restricts or makes conditional the member's undertaking in this agreement;
- 6.1.2 There is nothing under any statute, agreement or undertaking, that prevents, restricts or makes conditional the transfer of ownership in the pledged and charged assets, or to charging or pledging them;
- 6.1.3 The pledged and charged assets are free and shall at all times be free of any pledge, charge, lien, attachment or other third-party right whatsoever.
- 6.2 The member hereby undertakes as follows:
- 6.2.1 To meet all its obligations toward the MAOF Clearing House under the Legislative Arrangement, under any statute and under any other agreement;
- 6.2.2 Not to take any action in connection with the pledged and charged assets, which has or is likely to have any adverse effect on any right of the MAOF Clearing House under this agreement, or on the ability of the MAOF Clearing House to exercise its rights or any part thereof;
- 6.2.3 To inform the MAOF Clearing House immediately of any instance in which the

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pledged and charged assets or any part thereof were attached, to inform whoever made the attachment immediately of the pledges in favor of the MAOF Clearing House and to take all necessary steps – at the member’s expense, immediately and without delay – to remove the attachment;

- 6.2.4 To pay all the taxes and obligatory payments that apply to the pledged and charged assets or in connection therewith, and to deliver to the MAOF Clearing House, at its demand, proof that those payments have been made, as required by any statute; it is hereby agreed that, if the member does not make those payments or any part thereof on time, then the MAOF Clearing House shall have the right (but not the obligation) to pay them, on the member’s account, and any amount so paid shall be debited to the member in the books of the MAOF Clearing House and shall, for all intents and purposes, be deemed part of the secured obligations.

7. The member’s undertakings in respect of the pledged and charged assets

The pledged and charged assets shall come from the member’s own resources and shall at all times be free of any pledge, charge, lien, attachment or other third-party right whatsoever.

Without derogating from the generality of the aforesaid in this agreement, the member hereby undertakes as follows:

- 7.1 Not to charge and not to pledge in any manner whatsoever – including by way of endorsement by way of a lien – the pledged and charged assets or any part thereof or any right thereto, whether by rights that have priority over, are equal to, or are subordinate to the MAOF Clearing House’s rights under this agreement, without having obtained the advance written consent of the MAOF Clearing House thereto;
- 7.2 Without derogating from the generality of the provisions of section 7.1 above, not to create any floating charge whatsoever on its assets or rights or any part thereof in favor of any third party, unless the document that creates the charges explicitly states that they do not apply to the pledged and charged assets so pledged and charged by a first-ranking fixed charge, as referred to in section 4 of this agreement or to any part thereof or to any right thereto, without having obtained the advance written consent of the MAOF Clearing House thereto;
- 7.3 Not to sell, not to transfer and not to endorse any pledged and charged assets so pledged and charged by a first-ranking fixed charge, as referred to in section 4 of this agreement, or any part thereof or any right thereto, not to conduct any transaction therein (including – but not only – a lending transaction) and not to grant any third-party right thereto, and not to permit any third party to conduct any of the above acts, without having obtained the advance written consent of the MAOF Clearing House thereto.

8. The member’s declarations and its undertakings in connection with the margin accounts at the Bank of Israel

8.1 The member hereby declares and undertakes as follows:

- 8.1.1 That it is aware that, for the purpose of opening the margin accounts at the Bank of Israel and their management, agreements have been drawn up and signed between the MAOF Clearing House and the Bank of Israel, which are titled “Agreement for the Opening of an Account at the Bank of Israel and its

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Management” and “Contract for Participation in Settlement on the RTGS System in Israel” (the two aforementioned agreements, together with their appendices, as worded from time to time, shall be known hereinafter, collectively, as: “**the Agreement with the Bank of Israel**”);

- 8.1.2 That a copy of the Agreement with the Bank of Israel has been received from the MAOF Clearing House;
 - 8.1.3 That it has signed the documents required by the Bank of Israel and that it shall sign any additional document, as shall be required by the Bank of Israel, from time to time, in accordance with the Agreement with the Bank of Israel;
 - 8.1.4 That it is aware and agrees that the MAOF Clearing House may change, from time to time, the Agreement with the Bank of Israel and its terms, at its discretion, without having to obtain the consent of any third party, including without having to obtain the consent of the member;
 - 8.1.5 That it agrees to the provisions of the Agreement with the Bank of Israel and all its terms, as they shall be from time to time, including – but without derogating from the generality of the aforesaid – insofar as the Agreement with the Bank of Israel pertains or relates, directly or indirectly to the member or to the pledged and charged assets, and the member undertakes not to raise any claim or argument in this connection;
 - 8.1.6 That it is aware that, subject to the provisions of any statute, the Agreement with the Bank of Israel that was delivered to the member, and any information, data and notices that shall have been delivered to the member in connection with the Agreement with the Bank of Israel, were intended for the member and it hereby undertakes not to transfer them to others, without having obtained the advance written consent of the MAOF Clearing House thereto.
- 8.2 Without denigrating from the generality of the aforesaid, the member declares that it is aware and agrees as follows:
- 8.2.1 That the Agreement with the Bank of Israel governs the relations between the Bank of Israel and the MAOF Clearing House, in all matters relating to the opening of the margin accounts at the Bank of Israel and their management; consequently, the Agreement with the Bank of Israel does not grant any right to anyone that is not a party thereto, including the grant of any right whatsoever to the member;
 - 8.2.2 That the MAOF Clearing House shall have exclusive title to the rights in the margin accounts at the Bank of Israel, at the level of the relations between the MAOF Clearing House and the Bank of Israel; that the Bank of Israel shall act – in all matters connected to the margin accounts at the Bank of Israel – in accordance with the instructions of the MAOF Clearing House alone; and, that the Bank of Israel shall be permitted to execute any instruction given to it by the MAOF Clearing House in connection with the cash in the margin accounts at the Bank of Israel, all as specified in the Agreement with the Bank of Israel;
 - 8.2.3 That the member shall not have any right to withdraw cash from the margin

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accounts at the Bank of Israel nor to perform any other act with the cash, apart from the giving of a credit instruction for the purpose of depositing cash in the margin accounts at the Bank of Israel, with the consent of the MAOF Clearing House;

- 8.2.4 That the Bank of Israel alone shall provide the account management services to the MAOF Clearing House and that the Bank of Israel shall have no responsibility whatsoever toward third parties, including the member, and that the member shall not have any right, remedy or grounds for a claim under the Agreement with the Bank of Israel or under any statute, toward the Bank of Israel or toward anyone on its behalf or toward TASE, the MAOF Clearing House or toward anyone on their behalf;
- 8.2.5 That the Bank of Israel has rights, including the rights of possession, lien and set off of the cash in the margin accounts at the Bank of Israel, as well as their yield, all in accordance with the provisions of the Agreement with the Bank of Israel; consequently the value of margin provided by the member in favor of the MAOF Clearing House shall be calculated in accordance with its actual balance, after exercising the rights of the Bank of Israel, as referred to above (in the event of these being exercised, from time to time), and the member undertakes to supplement the amount of margin, as shall be required under the By-Laws;
- 8.2.6 That the pledged and charged assets shall be held by the MAOF Clearing House at the margin accounts at the Bank of Israel together (in bulk) with other assets and rights, that shall be provided as margin in favor of the MAOF Clearing House by other members of the MAOF Clearing House and that these shall be deposited or recorded to the credit of the margin accounts at the Bank of Israel;
- 8.2.7 That the MAOF Clearing House shall keep in its books, at all times, a separate, complete and precise record – in the name of each of the members of the MAOF Clearing House, including, in the name of the member – of all the assets and rights provided to the MAOF Clearing House as margin by that member and which shall be deposited or recorded to the credit of the margin accounts at the Bank of Israel;
- 8.2.8 a. That the pledged and charged assets, their scope, and their amounts and any detail or data pertaining to them, shall be determined at any time, solely and exclusively, in accordance with the amounts, data and details recorded for this purpose in the books of the MAOF Clearing House, and the MAOF Clearing House and the member shall rely on the records in the books of the MAOF Clearing House, for all intents and purposes in respect of the Agreement with the Bank of Israel and all its terms, and the member undertakes not to raise any claim or argument in this connection;
- b. That the provisions of section 8.2.8.a. above are in addition to the provisions of section 13 below and to not derogate therefrom.
- 8.3 The member declares that it is aware and agrees that, under the Agreement with the Bank of Israel, the Bank of Israel and anyone on its behalf shall not bear any responsibility or obligation, of any kind whatsoever, for any loss, damage, expense or

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failure, of any kind whatsoever (hereinafter, in this section 8: “**damage**”), all in accordance with the provisions of the Agreement with the Bank of Israel.

Without derogating from the generality of the aforesaid, the member hereby exempts the MAOF Clearing House and TASE, as well as anyone on their behalf, and the Bank of Israel, and anyone on its behalf, from any responsibility or obligation, of any kind whatsoever, for any damage that might be caused to any person or entity (including, to the member, to members of the MAOF Clearing House or to members of the MAOF Clearing House that settle for others), in respect of any matter pertaining to the margin accounts at the Bank of Israel or in connection with activity on the margin accounts at the Bank of Israel, or in connection with the Agreement with the Bank of Israel, including, the fulfillment or non-fulfillment of provisions of the Agreement with the Bank of Israel. The aforesaid exemption shall not apply if the damage is caused as a result of a malicious act or gross negligence.

The member hereby declares that it is aware and agrees that, in accordance with the Agreement with the Bank of Israel, the MAOF Clearing House is subject to an obligation to indemnify and compensate the Bank of Israel, and anyone on its behalf, or to pay them any sum that the Bank of Israel shall demand from the MAOF Clearing House for damage that shall be caused to the Bank of Israel or to anyone on its behalf, directly or indirectly (hereinafter, collectively: “indemnification and compensation”), all in accordance with the provisions of the Agreements with the Bank of Israel.

The member hereby undertakes to indemnify and compensate TASE, the MAOF Clearing House and anyone on their behalf and to pay them, when first required to do so by the MAOF clearing House, any amount that the MAOF Clearing House shall demand from the member for damages that shall have been caused to TASE, to the MAOF Clearing House or to anyone on their behalf, directly or indirectly, including expenses, legal fees and any payments to third parties, which shall have been paid by TASE, the MAOF Clearing House or anyone on their behalf, or that they shall be required to pay, due to activity on the margin accounts at the Bank of Israel or in connection therewith or in connection with the Agreement with the Bank of Israel.

Without derogating from the above provisions, the member hereby undertakes to pay the MAOF Clearing House any amount that shall be demanded by the MAOF Clearing House for the purpose of indemnifying and compensating the Bank of Israel, in accordance with the Agreement with the Bank of Israel, not later than twenty-one days from the date of it first being demanded in writing by the MAOF Clearing House, or at an earlier date that shall be prescribed by the MAOF Clearing House for this purpose; it is hereby agreed that the MAOF Clearing House shall determine whether the member shall bear the full amount of the indemnification and compensation that shall be demanded by the Bank of Israel, or part thereof, this being at the discretion of the MAOF Clearing House, taking into consideration the circumstances of the case, and the decision of the MAOF Clearing House regarding this shall be final.

Without derogating from the above provisions, prior to the MAOF Clearing House making any payment on its own initiative to the Bank of Israel for indemnification and compensation, as referred to above, the MAOF Clearing House shall do its utmost to notify the member of the demand for payment; likewise, insofar as this does not deviate

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from the Agreement with the Bank of Israel, the MAOF Clearing House shall do its utmost to enable the member to defend itself against the aforesaid demand, at the member's own expense, and shall assist it as much as possible, all at the discretion of the MAOF Clearing House, taking into consideration the circumstances of the case.

- 8.4 The member hereby declares that it is aware that, were it not for its consents, declarations and undertakings, as referred to above, the Bank of Israel would not have engaged with the MAOF Clearing House to enter into the Agreement with the Bank of Israel.

9. Realizing the pledged and charged assets

As the parties attribute considerable importance to the MAOF Clearing House meeting all its obligations on time and, in accordance with the aforesaid, the parties' want the MAOF Clearing House to be able to act quickly and efficiently to realize the pledged and charged assets, it is hereby agreed as follows:

- 9.1 When one or more of the events specified below occurs, the MAOF Clearing House shall have the right to realize the pledged and charged assets or any part of them – these being the events:
- 9.1.1 If the member shall fail to fulfill its obligations toward the MAOF Clearing House to provide additional margin, as required under the By-Laws;
 - 9.1.2 If the member shall fail to pay the MAOF Clearing House any sum that is due from it at the time set for its payment, including – but without derogating from the generality of the aforesaid – any amount whose immediate payment has been called for or if the member shall breach any obligation toward the MAOF Clearing House under the By-Laws, under this agreement or under any statute, including a non-monetary obligation;
 - 9.1.3 If, in the opinion of the MAOF Clearing House, there shall be any suspicion that the member might not fulfill its obligations, or any part thereof, or might not pay its debts or any part thereof;
 - 9.1.4 If the member's membership in the MAOF Clearing House shall be interrupted, suspended or canceled, or if it shall be decided to temporarily interrupt the provision of clearing services to the member, or if there are any grounds for interrupting, suspending or canceling its membership as aforesaid, or for temporarily interrupting the provision of clearing services to the member;
 - 9.1.5 If the license needed for the member to conduct its business or part thereof shall be suspended or canceled;
 - 9.1.6 If an official under the Third Chapter of Part Nine of the Companies Law or an authorized administrator or a special supervisor under any statute shall be appointed for the member or if the Supervisor of Banks or the Governor of the Bank of Israel shall take any measures against the member under Sections 8C or 8D of the Banking Ordinance, 1941 or under any other statute that replaces them;
 - 9.1.7 If a petition for liquidation or for the appointment of a temporary preliminary liquidator, a temporary liquidator, a receiver or a temporary receiver shall be filed

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- against the member, or if a petition shall be filed against the member under the Third Chapter of Part Nine of the Companies Law, including a petition for the opening of economic rehabilitation proceedings or for a stay of proceedings, or if the member shall decide to go into voluntary liquidation;
- 9.1.8 If the member's business shall be closed or substantively reduced, or if the member's business activity or a substantive part thereof shall be discontinued or if the member sells a substantive part of its property;
- 9.1.9 If, without the MAOF Clearing House's consent, the member shall grant any collateral to another creditor, in violation of its undertakings under the Fixed Charges Agreement;
- 9.1.10 If early repayment of any debt shall be demanded from the member by any other creditor;
- 9.1.11 If a lien shall be imposed on the pledged and charged assets or on any part thereof, or on any material asset of the member, or if a receiver shall be appointed in order to realize any part thereof, or if any repossession action shall be taken in connection with any of the said assets;
- 9.1.12 If it shall be revealed that any declaration by the member is not correct, which – in the judgment of the MAOF Clearing House's Board of Directors – might endanger the member's ability to fully fulfill its obligations toward the MAOF Clearing House;
- 9.1.13 If any change shall occur in the control of the member, in violation of the By-Laws, or if one or more of the events specified in this section 9.1 above shall occur in respect of a manager, business manager, member of the senior executive staff or partner of the member;
- 9.1.14 If an event that is similar in essence to one of the events mentioned in this section 9.1 above shall occur.
- 9.2 Subject to the provisions of this agreement and to the provisions of any statute, the MAOF Clearing House shall realize the pledged and charged assets after it has given the member notice one business day in advance; however, the MAOF Clearing House has the right to realize the pledged and charged assets without the aforesaid advance notice, if – in its opinion – one of the following circumstances exists:
- 9.2.1 A delay in realizing the pledged and charged assets might significantly impair its ability to settle the secured obligations in full through the realization of such assets;
- 9.2.2 Other circumstances exist that require the immediate realization of the pledged and charged assets, in full or in part.
- 9.3 In every instance, where it shall be entitled to realize the pledged and charged assets, the MAOF Clearing House shall have the right – subject to any statute – to take any measures it shall deem appropriate in order to settle the secured obligations or any part thereof and to exercise its rights under this agreement in the fastest and most efficient manner, including (but without being obligated to do so) one or more of the following

ways:

- 9.3.1 To realize the pledged and charged assets under this agreement, in whole or in part;
 - 9.3.2 To realize the pledged and charged assets as the member could have realized them, and that even if the time for fulfilling the secured obligations had not yet arrived, including – but without derogating from the generality of the aforesaid – realizing the pledged assets or any part thereof, by itself, without having to obtain a Court order or an order from the Chief Execution Officer (including through others), either by their sale on TASE, by an off-exchange sale or by their sale through some other reasonable commercial channel, to collect and receive the consideration for them either in cash or in payments or by way of a transfer to a bank accounts or to the accounts at the Bank of Israel or to another account in the name of the MAOF Clearing House or to another accounts in the name of any third party or in some other manner, and all on terms deemed reasonable as adjudged by the MAOF Clearing House.
 - 9.3.3 To realize the pledged and charged assets or any other margin under a Court order or under an order from the Chief Execution Officer, including by way of appointing a receiver or trustee, who shall, inter alia, have the right to take possession of the pledged and charged assets, or any part thereof, to manage them, transfer them or make any other arrangement in relation to them, as it may deem appropriate.
- 9.4 Without derogating from the generality of the aforesaid, the MAOF Clearing House shall have the right – at its discretion – to exchange, release, realize or refrain from realizing any pledge, charge or collateral, and also to reach a compromise, grant an extension or waiver, exempt or make an arrangement with any other member or with any other person, and that without derogating from the member's obligations toward it, and that without adversely affecting or reducing them; in order to remove any doubt, it is hereby clarified that the MAOF Clearing House shall have the right to make use of its rights under this section without the member's consent.

10. Independence

- 10.1 Each of the liens under this agreement is independent of and separate from any other lien created in favor of the MAOF Clearing House by the member under this agreement, or under any other agreement, or from any collateral or guaranty which was or shall be granted in favor of the MAOF Clearing House to secure all or some of the secured obligations.
- 10.2 It is hereby explicitly agreed that the MAOF Clearing House shall be entitled – at its discretion and without obtaining the member's consent – to decide to realize any pledge, charge or collateral given to it under this agreement or under any other agreement, or any part thereof, or to decide on their non-realization or on the order of their realization or on the realization of any other collateral or part thereof, all as the MAOF Clearing House shall decide at its discretion.
- 10.3 Any waiver by the MAOF Clearing House toward any other member of the MAOF

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Clearing House or any waiver by it in connection with any collateral whatsoever shall not in any way whatsoever affect the member's obligations under this agreement or the right of the MAOF Clearing House to realize the pledged and charged assets or any part thereof at its discretion.

- 10.4 Each of the liens covered by this agreement shall remain fully valid, even if the MAOF Clearing House shall not receive any other lien under this agreement or any other collateral whatsoever, or even if it shall transpire that any liens or collateral whatsoever, which the MAOF Clearing House received, are worthless or no longer valid, and even if it shall transpire that the MAOF Clearing House caused them to expire.

11. Right of lien and right to set off

Without derogating from the provisions of this agreement:

- 11.1 As long as the member has any obligation toward the MAOF Clearing House, including – but without derogating from the generality of the aforesaid – a conditional obligation, an obligation that is not certain or an obligation that has not yet reached its due date, then the MAOF Clearing House shall have the right to retain any asset or right due to the member from it, including – but without derogating from the generality of the aforesaid – the pledged and charged assets referred to in section 4 above; furthermore, the MAOF Clearing House shall be entitled to realize by itself (without having obtained a Court order or an order from the Chief Execution Officer), or in any other manner to be prescribed by, it the assets retained by it as aforesaid, to sell them and to use the consideration therefrom to pay any debt or to satisfy any obligation or part thereof.
- 11.2 Furthermore, and without derogating from the aforesaid right of lien, the MAOF Clearing House shall be entitled to set off any of the member's obligations to it, of any kind whatsoever, against any obligation of any kind whatsoever of the MAOF Clearing House toward the member, including – but without derogating from the generality of the aforesaid – against any amounts of any kind whatsoever that shall be due to the member from the MAOF Clearing House in any way whatsoever, on any grounds whatsoever, as part of any transaction whatsoever or according to any account whatsoever, or against the pledged assets, the consideration for them, or amounts to be received from their realization or any part thereof.
- 11.3 The set off shall be deemed to have been carried out if the member shall not pay the MAOF Clearing House any amount due from it on the date set for its payment, including on the occurrence of one or several of the events that entitle the MAOF Clearing House to demand immediate repayment of any debt, and that without any need to notify the member, and even if the set off has not yet been recorded in the books of the MAOF Clearing House.
- 11.4 The provisions of this agreement, including the provisions of sections 11.1 through 11.3 above, shall not derogate from or adversely affect the right of lien or the right to set off or any other right of the MAOF Clearing House under the Legislative Arrangement or under any other agreement or under any statute.

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11.5 The aforesaid provisions of this section shall not derogate from any right or any remedy available to the MAOF Clearing House under this agreement, under the Legislative Arrangement or under any other agreement or under any statute.

12. Costs

The member shall bear all commissions, payments, expenses, taxes, levies or fees that are connected or involved with the Agreement with the Bank of Israel or the margin accounts at the Bank of Israel and their operation and with the pledging and charging of the assets pledged and charged in favor of the MAOF Clearing House and their realization; the member shall pay the aforesaid sums to the MAOF Clearing House, as specified in the Legislative Arrangement.

13. Account books of the MAOF Clearing House

The member hereby declares that it accepts the books and accounts of the MAOF Clearing House and that they shall be deemed evidence of the authenticity of their contents in all matters pertaining to this agreement, including with regard to the right of lien and the right to set off of the MAOF Clearing House and, inter alia, in all matters pertaining to all particulars of the secured obligations and to all particulars of the assets and rights pledged and charged in favor of the MAOF Clearing House.

14. Registration of liens

The member hereby agrees that the liens created under this agreement shall be registered at any statutorily qualified Registration Office, and in connection therewith the member undertakes to sign any notice, affidavit or other document, as the MAOF Clearing House shall require for the performance of the said registration. It is hereby clarified that nothing in the provisions of this section shall be taken as derogating from the provisions of Section 50A of the Securities Law, 5728-1968, or any other statute that shall replace it, or from the rights of the MAOF Clearing House under any statute.

15. Transfer, endorsement and lien

The member's obligations and rights under this agreement – or any part thereof – cannot be transferred, endorsed or charged in any manner whatsoever.

16. Waiver and compromise

Any waiver, extension, reduction, silence or abstention from action on the part of the MAOF Clearing House, in connection with the member's failure to fully or partially fulfill any obligation, shall not be deemed to be a waiver on the part of the MAOF Clearing House of any right of the MAOF Clearing House vis-a-vis the member, or of any part thereof.

17. Retention of rights

Nothing in the provisions of this agreement shall derogate or adversely affect any right whatsoever of the MAOF Clearing House under any other agreement or under the Legislative Arrangement or under any statute.

18. Jurisdiction

Only the Courts and the Execution Office in Tel Aviv-Jaffa, and they alone, shall have jurisdiction over any matter that is connected to or derives from this agreement.

19. General undertaking to perform acts and to sign documents

The parties hereby undertake to perform all the acts and to sign all the documents, certifications, forms and declarations, as shall be necessary and useful for the implementation of the provisions of this agreement.

20. Notices

20.1 All notices that need to be given under the provisions of this agreement shall be in writing and shall be sent to the parties' addresses, as specified in the preamble to this agreement.

20.2 Every notice shall be sent by messenger, registered mail, facsimile or other electronic means; a notice sent by registered mail shall be treated as a message that was received three (3) days after the date of its dispatch; a notice sent by messenger shall be treated as a message that was received on the date of its actual delivery by the messenger; a notice sent by facsimile or other electronic means shall be treated as a message that was received on the date of receiving telephone confirmation of the notice's receipt.

In witness whereof, the parties have affixed their signatures

The MAOF Clearing House

The member

I, the undersigned _____, Adv., of _____, who serves as the legal adviser of _____ (hereinafter: "**the member**"), do hereby certify as follows:

- a. The member has adopted all the decisions and obtained the statutorily required certifications in order to enter into this agreement;
- b. _____, holder of ID No. _____, and _____, holder of ID No. _____, signed this agreement in my presence after I identified them, and the signatures of the aforesaid persons bind the member.

Date

Signature

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APPENDIX THIRTEEN

To:
MAOF Clearing House Ltd.
2 Ahuzat Bayit Street
Tel Aviv

Date: _____

Dear Sirs,

Request to Deposit Cash Collateral

We, _____ do hereby request to deposit in the margin accounts at
Name of the Member
the Bank of Israel, as defined in Chapter Eight of the By-Laws, an amount of _____
NIS (hereinafter: "**the Deposit Amount**") (and, in words: _____ NIS).

Reference: _____.

Accordingly, we hereby instruct you to debit our account hereunder (please indicate the account selected):

- Our account at the Bank of Israel
- Account _____ at the Bank of Israel

The Cash Settlement Member

and to credit our margin accounts at the Bank of Israel with the Deposit Amount.

Yours sincerely,

Signature and stamp of the member

APPENDIX FOURTEEN

To:
MAOF Clearing House Ltd.
2 Ahuzat Bayit Street
Tel Aviv

Date: _____

Dear Sirs,

Request to Withdraw Cash Collateral

We, _____ do hereby request to withdraw a cash amount from the margin accounts at the Bank of Israel an amount of, _____ NIS

(hereinafter: "the Deposit Amount")

and in words: _____ NIS.

Reference: _____.

Accordingly, we hereby instruct you to debit our accounts/account _____ at

The Cash Settlement Member

the Bank of Israel with the Withdrawal Amount.

Yours sincerely,

Signature and stamp of the member

We hereby approve the request to withdraw cash collateral, as requested above by the member.

The MAOF Clearing House

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APPENDIX FIFTEEN

To:
 MAOF Clearing House Ltd. (hereinafter: “**the MAOF Clearing House**”)
 2 Ahuzat Bayit Street
 Tel Aviv

Date: _____

Dear Sirs,

**Re: Irrevocable Authorization to Debit Our Account at the Bank of Israel for
 Cash Collateral**

Whereas we, the undersigned, serve as the cash settlement member on behalf of
 _____ (hereinafter: “**the non-bank member**”);

and whereas the non-bank member is requesting to deposit margin in favor of the MAOF
 Clearing House and, for said purpose, has applied to us with a request that we
 provide you with an authorization to debit our cash account with the amount
 specified below.

Accordingly, we hereby confirm that you are authorized to debit our account that is kept at the Bank
 of Israel and that is designated for the execution of cash credits and debits by the MAOF Clearing
 House (hereinbefore and hereinafter: “**the Cash Account**”) and our signature of this authorization
 constitutes an irrevocable authorization for you and the Bank of Israel to debit our Cash Account
 with an amount of _____ NIS (and, in words: _____ Shekels).

Reference: _____.

All the terminology in this authorization shall be interpreted according to their meaning in the
 MAOF Clearing House By-Laws, unless the context dictates otherwise.

 Date

 Signature and stamp of the cash settlement member

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APPENDIX SIXTEEN

To:
 MAOF Clearing House Ltd. (hereinafter: “**the MAOF Clearing House**”)
 2 Ahuzat Bayit Street
 Tel Aviv

Date: _____

Dear Sirs,

Re: Irrevocable Authorization to Debit our Account at the Bank of Israel – Daily Margin Facility

Whereas We, the undersigned, serve as the cash settlement member on behalf of
 _____ (hereinafter: “**the non-bank member**”);

and whereas The non-bank member has applied to us with a request that we provide you with an authorization to debit our Cash Account each business day in respect of the cash that the member wishes to deposit as margin in favor of the MAOF Clearing House, and this up to the amount specified below, and all as specified hereunder.

You are hereby authorized to debit our account at the Bank of Israel that is designated for the execution of cash credits and debits by the MAOF Clearing House (hereinbefore and hereinafter: “**the Cash Account**”) and our signature of this authorization constitutes an irrevocable authorization for you and the Bank of Israel to debit our Cash Account, on each business day, with all the sums that the non-bank member wishes to deposit as margin in favor of the MAOF Clearing House and on condition that the total of all the amounts with which we shall be debited by you on any business day shall not exceed NIS _____ (and, in words: NIS _____ shekels).

The above authorization is not limited in time and shall be fully in effect until the cancellation of this authorization, as specified in the MAOF Clearing House By-Laws and subject to its provisions.

All the terminology in this authorization shall be interpreted according to their meaning in the MAOF Clearing House By-Laws, unless the context dictates otherwise.

Date_____
Stamp and signature of the cash settlement member

Only applicable for instructions for a transfer to a custodian.

Only required if the transferor member is not a MAOF Clearing House member.

The Company_____
Signature and stamp_____
Stamp and signature of the cash settlement member

*Delete whichever is inapplicable.

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