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## **Securities Regulations (Details of Trust Fund Prospectus, its Form and Structure) 5729-1969<sup>1</sup>**

By virtue of my authority under section 16 of the Securities Law, 5728-1968 (hereafter the Law), in accordance with a proposal of the ISA and with the approval of the Finance Committee of the Knesset, I enact the following regulations:

### **Chapter 1 General Regulations**

#### **Interpretation:**

1. Definitions in these Regulations are also used in the Joint Investment Trust Law 1961; they are identical to interpretations under the aforesaid Law, with the exception of those defined differently under these regulations.

#### **Effective Date:**

2. These Regulations apply to a Prospectus of a Mutual Trust Fund, established according to the Joint Investment Trust Law.

#### **Form of Prospectus :**

3. Prospectus shall be in a printed form, or in other form, acceptable to the ISA and conveniently compiled for reading, pages have to be numbered.

4. (a) On the cover, a word Prospectus and the following information must appear - the name of the Trust Fund, the name of the Trustee and the name of the Trust Manager, the date of Prospectus and the number of units offered; also it should state whether these are registered units or bearer units.

(b) A non limited number of units offered – should be marked as such.

#### **Contents:**

5. Prospectus should include "contents" with page references.

#### **Structure of Prospectus:**

6. Prospectus should be divided into forward and chapters, it might be further subdivided if required; forward and other information included in a prospectus shall be arranged according to chapters – detailed under these regulations; except if in the ISA's opinion there are circumstances which require a different organization of material.

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<sup>1</sup> Collection of Regulations 2470, (23.10.1969) p. 320

Amendment: Collection of Regulations 4805, (21.5.1985) p. 1277 (effective date 2.6.1985)

**Details of Prospectus:**

7. Prospectus shall include details listed under these regulations, as well as any other additional detail that might be of consequence to a reasonable investor who considers purchasing the offered units; there is no requirement to list non-consequential details unless it is explicitly stipulated under these regulations.

**Chapter 2****Details that should be included in the Forward to a Prospectus****Notice regarding a Permit for Prospectus:**

8. A statement should be made - indicating that all permits, certificates and licenses required according to the law for the issue and offer of units and publication of the prospectus - have been acquired.

**The meaning of Permit:**

9. A prominent notice, formulated as follows, regarding the meaning of a Permit must be made: "A Permit of the Israel Securities Authority to publish a prospectus does not authenticate the details published in it or certifies their completeness or credibility; neither does it express opinion regarding the nature of the offered securities."

**The name of the Trust Fund and the date of establishment:**

10. The name of the Fund must be stated as well as the date of the Trust Agreement, according to which the Trust Fund had been established.

**A Trustee and a Fund Manager:**

11. The name of the Trustee and the Fund Manager must be indicated, along with their main occupations and business addresses.

**Units in circulation:**

12. A number of units in circulation on the date of prospectus publishing or on the closest date possible.

### **Chapter 3**

#### **Details to be included in a prospectus regarding the offer of units**

##### **Offered units:**

13. A number of offered units must be stated, a non limited number of units offered – should be identified as such.

##### **Unit price:**

14. (a) A price of the offered unit must be marked separately indicating the base price and the ad-on designated to cover the Trustee's and Fund Manager's fee as well as the costs of managing the Trust Fund.

(b) Where the unit price is not indicated – a relevant chapter in the prospectus, showing the way of price calculation, must be pointed to.

##### **Units offered to particular persons:**

15. Where units or part of them are being offered to particular persons – the number and class of units offered to those particular persons must be indicated.

##### **Order of units:**

16. A way of placing orders must be indicated, including listing of locations where order forms can be obtained, the start of the order period and the conclusion of the order period.

##### **Unfulfilled orders:**

17. If the number of offered units has been limited – a date and the means of reimbursing the purchasers of unfulfilled orders, for sums paid on account of the offered units, must be stated.

### **Chapter 4**

#### **Details to be included in the Prospectus regarding units, assets of a Trust Fund and Fund's investing policy**

##### **Previous unit price:**

18. (a) The highest and the lowest price of units, for one of two calendar years preceding a date of prospectus publication and for a period beginning with a

calendar year in which a prospectus has been published to a date of its publishing or to a closest possible date, must be stated.

(b) Unit price, on the date of prospectus publishing or on the closest date possible, must be stated.

**Calculation of a base price and a redemption price:**

19. The way of base price and redemption price calculation, with a separate indication of the ad-on rate designated to cover the fees of a Trustee and a Fund Manager as well as the costs of managing the Trust Fund must be stated.

**Days of fixing unit price:**

20. Days of fixing sale and purchase prices of Trust Fund's assets and a fixed date that will be used as a base for price calculation and redemption price calculation – must be designated.

**Issued and redeemed units:**

21. (a) a number of issued units and a number of redeemed units must be stated:

- (1) For the period prior to the last two accounting years of the Trust Fund;
- (2) For each month of the two aforesaid years
- (3) For each month in the period beginning with an accounting year in which the prospectus has been published to the date of its publishing or to the closest possible date

(b) Issue and redemption price of units at the end of each month, for the periods stated under paragraph A(2) and (3)

**A list of Fund's assets:**

22. A list of Trust Fund's securities – on a fixed date used as a base for price calculation according to 18(b) – compiled according to classes of securities with indication of their nominal value and their market value on the said date;

In this regulation – "*market value*" – in regard to securities registered on the stock exchange – is a rate on the stock exchange and in regard other securities – the highest price between a voluntary seller and a voluntary buyer.

**Investment policy:**

23. (a) Investment policy of a Trust Fund, minimal number of corporations, whose securities constitute a Fund at any given time, including a portion of fund's assets

that a fund manager is allowed to invest in securities of another corporation; the way of carrying out this policy should also be explained.

(b) Regulations of the law regarding investment dispersion requirements of the fund's assets as well as limitations on investment in certain assets must be stated.

### **Chapter 5**

#### **Details to be included in Prospectus regarding a Trustee, Fund Manager and their principal shareholders**

##### **24. Definitions in this Chapter:**

"*Holding and acquisition*" – as defined under the Securities Law 1968, with the exception of holding or acquisition by an associated company;

"*Principal shareholder in Trustee*" or "*Principal shareholder in Fund Manager*" – whoever holds ten percent or more of the share capital in a Trustee or in a Fund Manager, accordingly, or by means of a vote or by means of appointing its directors; whoever is entitled to appoint its CEO, whoever acts as its Director or its CEO; and any corporation that a person, as aforesaid, holds in it twenty five percent or more of its share capital or by means of a vote or by means of appointing its directors.

##### **Corporate Managers of Trustee and Fund Manager:**

25. The names, addresses and main occupations of corporate managers and CEO's of a Trustee and a Fund Manager must be stated.

##### **Amendment of a Trustee Agreement:**

26. Means to amend a Trustee Agreements must be stipulated.

##### **Material interest in Trustee and Fund Manager:**

27. Every interest a Trustee has in a Fund Manager or in a principal shareholder in a Trustee as well as every interest a Fund Manager has in a Trustee or in a principal shareholder in a Trustee - must be stated.

##### **Fee of Trustee and Fund Manager:**

28. Details of a Trustee Agreement, regarding the fee payable to a Trustee and a Fund Manager, must be stated.

**Payments to Trustee and Fund Manager:**

29. Fees, commissions and other payments received by a Trustee and a Fund Manager or a principal shareholder in them, either directly or indirectly, within a period of three years prior to the publication of a prospectus - from the fund's assets, its profits, from redemption of units and from fund's transactions - shall be stated separately.

**Interests in Fund's assets:**

30. Where Fund's assets include securities issued by a Trustee or a Fund Manager or by a principal shareholder in them – it must be stated and a list of the aforesaid securities enclosed.

**Fund's acquisition of assets:**

31. (a) Where assets have been acquired for a Trust Fund – within a period of one year prior to the publication of a prospectus – from a Trustee, or from a Fund Manager, or from a principal shareholder in them – sums paid or sums that will be paid for these assets, to any of the aforesaid, must be stated.

(b) Where Trust Fund's assets have been sold – within a period of one year prior to the publication of a prospectus – to a Trustee, or to a Fund Manager, or to a principal shareholder in them – sums paid or sums that will be paid for these assets, to any of the aforesaid, must be stated.

(c) Where the aforesaid assets included securities not registered for trade on the stock exchange at the time of their acquisition by a Trust Fund or at the time of their sale by a Trust Fund – a list of such securities, indicating the price that have been paid of will be paid for them, must be enclosed.

(d) These Regulations will not apply to assets acquired or sold before the Regulations went into effect.

**Ownership of Fund units:**

32. Sums of Fund units held by a Trustee, a Fund Manager or a principal shareholder in them – must be stated.

## Chapter 6

### Details to be included in a Prospectus regarding Fund's profits

#### Distribution of profits and dates of distribution

33. (a) Details regarding distribution of profits and dates of distribution must be stated.
- (b) Where a Trusteeship Agreement stipulates that profit shall not be distributed – it must be stated.

#### Reserves for expenditures from Fund's profits:

34. Expenditure reserved from Fund profits for payment of - Trustee's fees, Fund's Manager fees and Fund management - according to a Trustee Agreement, must be stated.

#### Taxation:

35. (a) Where a Fund is qualified – it must be stated<sup>2</sup>
- (b) Where a Fund was designated as qualified in the past, the following must be stated:
- (1) Limitations on investment in taxable securities
  - (2) Regulations of the law that defines concessions of tax payments for qualified Funds and for tax exempt unit holders.
- (c) Where a Fund is not designated as qualified, regulations of the law regarding tax payments of a non-qualified Fund and of non-exempt unit holders must be stated.

## Chapter 7

### Details that have to be included in a Prospectus regarding: redemption of units, transfer of units, existence period of a Fund and general meetings of unit holders.

#### Redemption:

36. Details regarding - the right to request redemption of a unit, means of redemption and place of redemption - must be stated.

#### Transfer of certificate:

37. Certificate of participation – transfer means of the aforesaid certificate must be stipulated.

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<sup>2</sup> The term "qualified" is used specifically by the ISA to differentiate Funds for tax purposes

**Redemption of principal funds:**

38. (a) Regulations of the law as well as Trust Fund Agreement regulations that define redemption of principal funds - must be stated.  
(b) Where existence period of a Fund is limited – the period must be stated.

**General meetings:**

39. (a) Details regarding regulations of Trustee Agreement, related to general meetings of unit holders, must be stated.  
(b) Where a Trustee Agreement does not contain aforesaid regulations – it must be stated.

## Chapter 8 Financial reports to be included in a Prospectus

**Definition:**

40. In this Chapter "*financial reports*" – balance and profit/loss reports, including notes and explanations related to them.

**Audited financial reports:**

(amendment: 5745-1985)

41. Annual financial reports of a Fund, signed by a Fund Manager and a Trustee, audited by an Auditor and compiled no later than 12 months prior to a publication date of a Prospectus (henceforth – Annual Report's publication date) - must be enclosed.

**Reports where a period for placing orders is extended:**

(Amendment: 5745-1985)

42. Where a period for placing orders is extended according to paragraph 24(b) of the Law – annual financial reports of a Trust Fund must be compiled no later than 15 months prior to the end of the extended period for placing orders.

**Interim Financial Reports:**

(Amendment: 5745-1985)

43. (a) Where the date of an annual financial report is over six months prior to the publishing of a Prospectus – interim financial reports of the Fund as well as profit/loss reports, compiled no later than 6 months prior to an annual financial report, (henceforth – interim reports) - must be enclosed.  
(b) Interim reports must be compiled in the format of reports, signed and audited as aforesaid under the Regulations.



**Principals of report compilation:**

44. Financial reports must be compiled according to customary rules of accounting and reporting and must faithfully and appropriately represent the business state of a Fund to the date of balance as well as the results of its business activity in profit/loss reports for the period ending on that same date.

## **Chapter 8**

### **Other details to be included in Prospectus**

**Professional opinion of accountant:**

45. Professional opinion of the Fund's accountant in regard to audited financial reports included in a Prospectus has to be submitted; the report must state that a prior agreement of accountant to include the aforesaid report in the prospectus has been obtained.

**Study of a Trusteeship Agreement and its presentment:**

46. (a) Regulations regarding the right to study a Trusteeship Agreement and amendments made to it and the right of a unit holder to request a copy of the aforesaid report – must be stated.  
(b) Locations and dates, where the study of a Trusteeship Agreement and documents detailed under paragraph 44 of the Law is possible, must be stated.

**Publication:**

47. Regulations of the law - regarding publication of unit prices, redemption prices and the list of Fund's assets as well as means of publication - must be stated.

**Signing of Report:**

48. Report has to be signed by a Fund Manager, each and every Director and a Trustee.

**Name:**

49. These regulations are called "Securities Regulations (Details of Trust Fund Prospectus, its Form and Structure), 5729-1969.

September 28, 1969  
Zeev Sharf Minister of Finance