



## The Securities Law, 1968

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### **THE SECURITIES LAW, 5728-1968,<sup>1</sup>**

<sup>1</sup> Sefer HaHukkim (Book of Laws) 541, (22 August 1968), page 234. Amendments:  
Sefer HaHukkim (Book of Laws) 555, (4 April 1969), page 100;  
Sefer HaHukkim (Book of Laws) 609, (16 December 1970), page 12;  
Sefer HaHukkim (Book of Laws) 695, (20 April 1973), page 142;  
Sefer HaHukkim (Book of Laws) 891, (30 March 1978), page 111;  
Sefer HaHukkim (Book of Laws) 909, (11 August 1978), page 211 [5738(2)];  
Sefer HaHukkim (Book of Laws) 1024, (20 May 1981), page 264;  
Sefer HaHukkim (Book of Laws) 1119, (20 June 1984), page 165;  
Sefer HaHukkim (Book of Laws) 1261, (27 July 1988), page 188;  
Sefer HaHukkim (Book of Laws) 1327, (2 August 1990), page 185;  
Sefer HaHukkim (Book of Laws) 1334, (13 December 1990), page 22 (see application and enactment regulations in the amended Law and in Book of Laws 1363 (11.7.1991) p. 190 section 7-8 and amendment 1994 Book of Laws 1570 (29.2.1996) p. 124 and Book of Laws 1658 (5.3.1998) p. 158);  
Sefer HaHukkim (Book of Laws) 1363, (11 July 1991), page 190;  
Sefer HaHukkim (Book of Laws) 1386, (6 March 1992), page 112 (enactment date 1.3.1992);  
Sefer HaHukkim (Book of Laws) 1452, (2 March 1994), page 75;  
Sefer HaHukkim (Book of Laws) 1480, (23 August 1994), page 344 [5754(2)];  
Sefer HaHukkim (Book of Laws) 1626, (26 June 1997), page 170;  
Sefer HaHukkim (Book of Laws) 1675, (22 July 1998), page 268;  
Sefer HaHukkim (Book of Laws) 1704, (15 February 1999), page 94;  
Sefer HaHukkim (Book of Laws) 1711, (27 May 1999), page 255;  
Sefer HaHukkim (Book of Laws) 1728, (20 February 2000), page 110;  
Sefer HaHukkim (Book of Laws) 1735, (9 April 2000), page 161 [5760(2)];  
Sefer HaHukkim (Book of Laws) 1749, (6 August 2000), page 252 [5760(3)];  
Sefer HaHukkim (Book of Laws) 1874, (20 November 2002), page 70 (enactment date 2.11.03 this date has been stipulated YP 2003, p. 147);  
Sefer HaHukkim (Book of Laws) 1946, (28 June 2004), page 427 (see Application and Transitional Regulations in section 10 of the amendment);  
Sefer HaHukkim (Book of Laws) 1955, (10 August 2004), page 492 [5765(2)];  
Most of this amendment will come into force only when regulations are published in Reshumot pursuant to sections 17A, 17C, 17D and 56(c) of the Law or on the date that is provided in those regulations, if any. Therefore the text of the law presented here includes only those provisions that have immediate effect; amendment 24 in full is brought henceforth on p. 12880A;  
Sefer HaHukkim (Book of Laws) 1961, (17 November 2004), pages 18, 19 (two amendments).  
Sefer HaHukkim (Book of Laws) 1989, (17 March 2005), page 252 [5765 (no.2)];  
Sefer HaHukkim (Book of Laws) 1992, (29 March 2005), page 264 [5765 (no.3)];  
Sefer HaHukkim (Book of Laws) 2024, (10 August 2005), page 887 and 914 (two amendments);  
Sefer HaHukkim (Book of Laws) 2049, (3 January, 2006,) page 229; (Extending Cooperation to a Foreign Authority)  
Sefer HaHukkim (Book of Laws) 2095, (21 May, 2007,) page 308;  
Sefer HaHukkim (Book of Laws) 2096, (30 May, 2007,) page 312 (2)  
Sefer HaHukkim (Book of Laws) 2133, (10 February, 2008,) page 189  
Sefer HaHukkim (Book of Laws) 2140, (18 March, 2008) page 260  
Sefer HaHukkim (Book of Laws) 2154, (11 June, 2008) page 530  
Sefer HaHukkim (Book of Laws) 2189, (16 November, 2008) page 169



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## The Securities Law, 1968

### Chapter 1: Interpretation

#### Definitions

[Amendments: 5748, 5751, 5754(3), 5759, 5760, 5760(2), 5760(3), 5763, 5764(2), 5765, 5768(2) 8, 5769, 5769(2), 5770(2), 5771(2)]

1. In this law -

**“Securities”** - certificates issued in series by a company, a cooperative society or any other corporation conferring a right of membership or participation in them or claim against them, and certificates conferring a right to acquire securities, all of which whether registered or bearer securities, excluding securities issued by the Government or by the Bank of Israel which comply with one of the following:

(1) They do not confer a right of participation or membership in a corporation and are not convertible into, or realizable for, securities conferring such a right;

(2) They are issued under special legislation.

**“Commercial Papers”** - securities issued by a corporation, which are an undertaking of the corporation to pay the holder a sum of money, on a date that is not earlier than seven days from the date of the offer and not later than a year from the aforesaid date, and which cannot be realized for, or converted into, other securities;

**“Company”** - including a foreign company within the meaning thereof in the Companies Ordinance;

**“Subsidiary”** - a company in which another company holds fifty percent or more of the nominal value of its issued share capital or of the voting power therein or is entitled to appoint half or more of the directors or its general manager;

**“Affiliated company”** - a company in which another company - which is not a parent company thereof - holds twenty-five percent or more of the nominal value of its issued share capital or of the voting power therein or is entitled to appoint twenty-five percent or more of its directors;

**“Associated company”** - an affiliate, and also a company in which another company - which is not a parent company thereof - has invested an amount equal

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Sefer HaHukkim (Book of Laws) 2204, (27 July, 2009) page 284 [5769 (no.2)];

Sefer HaHukkim (Book of Laws) 2229, (16 February, 2010) page 379;

Sefer HaHukkim (Book of Laws) 2237, (24 March, 2010) page 474 [5770 (no.2)];

Sefer HaHukkim (Book of Laws) 2240, (31 May, 2010) page 511 [5770 (no.3)];

Sefer HaHukkim (Book of Laws) 2243, (15 June, 2010) page 536 (also amends 2009 Amendment (2) [5770 (no.4)]);

Sefer HaHukkim (Book of Laws) 2253, (27 July, 2010) page 617 [5770 (no.5)];

Sefer HaHukkim (Book of Laws) 2272, (12 January, 2011) page 198 [5771 (no.1)];

Sefer HaHukkim (Book of Laws) 2274, (27 January, 2011) page 206 [5771 (no.2)];



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### The Securities Law, 1968

to twenty-five percent or more of the equity of the other company, whether in shares or otherwise, excluding a loan given in the ordinary course of business;

“**Nominee company**” - a company whose sole occupation is holding securities for others, and also any other corporation established by the Minister of Finance<sup>2</sup> in consultation with the Israel Securities Authority;

“**Director**,” with regard to a company - according to the meaning thereof in the Companies Ordinance; and with regard to a cooperative society or another corporation — someone holding a position in the society or in the corporation that corresponds to the position of a director of a company;

“**Registrar**” - with regard to a company or another corporation - the Companies Registrar, but with regard to a cooperative society, the Registrar of Cooperative Societies;

“**Issuer**” - a party that is issuing or which has issued the securities offered to the public;

“**Offeror**” - a party offering securities to the public;

“**Offer to the Public**” - an act intended to induce the public to buy securities; without derogating from the generality of the above, also the following:

- (1) The listing of securities for trade on an exchange;
- (2) An invitation to the public to make offers to buy securities;

“**Supplemental notice**” - a notice in accordance with the provisions of section 16(a1)(2);

“**Offer by way of rights**” - an offer by the issuer to the holders of its securities or to the owners of a class of its securities, to purchase additional securities issued by the issuer;

“**Underwriting commitment**” - a commitment to buy securities offered in accordance with a prospectus if the public does not buy them or an undertaking to buy securities offered in accordance with a prospectus in order to sell them to the public;

“**Underwriter**” - someone who has given an underwriting commitment;

“**Pricing Underwriter**” - an underwriter who participates in establishing the price at which securities will be offered to the public in accordance with a prospectus;

“**Sale**” - sale of securities, including their issuance;

“**Distributor**” - a party that did not make the underwriting commitment according to the prospectus, but which has undertaken to sell the offered securities, in whole or in part, for a distribution commission;

“**Purchase of securities**” - including an acquisition of securities by way of allotment when the securities are first issued;

“**Holding**” and “**purchase**” - with regard to securities or voting power etc. - either alone or together with others, whether directly or indirectly, through a trustee, trust company, nominee company or in any other way; with regard to a holding or acquisition by a company - this also means by its subsidiary or its

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<sup>2</sup> In regard to shares pledged in favor of a clearing dept. of a stock exchange in the account registered to The Depository Trust Company (henceforth – DTC), a company that acts on behalf of DTC in whose name the shares are registered in the Shareholders Registry in the US (*Kovetz HaTakanot* 2004, p. 1016, and *Kovetz HaTakanot* 2005 p. 444)



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### The Securities Law, 1968

associated company; and with regard to a holding or acquisition by an individual — the individual and his or her family members who live with him or her or are financially dependent on one another, shall be regarded as one person;

“**Holding or purchase of securities together with others**” - a holding or purchase of securities jointly between two or more under an agreement, whether written or oral; without derogating from the generality of the above, the following shall be deemed, to be *prima facie* joint holders or purchasers of securities:

- (1) A corporation that holds or purchase securities (in this definition - a corporation) together with a principal shareholder therein, or with an associate thereof;
- (2) *Repealed*
- (3) *Repealed.*
- (4) A person whose occupation is the holding of, or trading in, securities for others, together with his or her client or with his or her family member who does not live with him or her or who is not financially independent of him or her, for whom he or she holds securities and manages them under a power of attorney giving discretion with regard to the use of the voting right;

“**Family member**” — spouse and also a sibling, parent, grandparent, issue or issue of spouse, or the spouse of any of these;

“**Control**” — the ability to direct the activity of a corporation, excluding an ability deriving merely from holding an office of director or another office in the corporation, and a person shall be presumed to control a corporation if he or she holds half or more of a certain type of means of control of the corporation;

“**Means of control**” in a corporation - any one of the following:

- (1) The right to vote at a general meeting of a company or a corresponding body of another corporation;
- (2) The right to appoint directors of the corporation or its general manager;

“**Equity**” – of a corporation – the corporation’s equity as defined in the accepted accounting principles that apply to the corporation, and if, according to such principles, the corporation’s equity includes the portion of such equity attributable to rights that do not confer control, its equity for the purpose of this definition will not include that portion.

“**Attributable to rights that do not confer control**” – as defined in the standards and interpretations adopted by the International Accounting Standards Board.

“**A principal shareholder**”, in a corporation:

- (1) Someone who holds five percent or more of the issued share capital of the corporation or of the voting power therein, someone who is entitled to appoint one or more of the directors of the corporation or its general manager, someone who holds office as a director of the corporation or as its general manager, or a corporation in which a person as aforesaid holds twenty-five



The Securities Law, 1968

percent or more of its issued share capital or of the voting rights therein or is entitled to appoint twenty-five percent or more of its directors; for the purpose of this section -

- (a) The manager of a joint investment trust fund shall be deemed the holder of the securities included in the fund's assets;
- (b) If a person holds securities through a trustee, the trustee shall also be regarded as holder of the said securities; for this purpose, the term "trustee" excludes a nominee company or a party who holds securities merely by virtue of being trustee for an arrangement under section 46(a)(2)(f) or as a trustee for an allotment of shares to employees, as defined in section 102 of the Income Tax Ordinance;

(2) A subsidiary of a corporation, excluding a nominee company;

**"Financial statements"** - a balance-sheet, profit and loss statement and other reports established in regulations;

**"Misleading item"** - including something that is likely to mislead a reasonable investor, and any matter the omission of which is likely to mislead a reasonable investor;

**"Banking Corporation"** - within the meaning thereof in the Banking Law (Licensing) 5741-1981;

**"Stock exchange"** - a stock exchange that has received a license pursuant to section 45;

**"Foreign stock exchange"** - a stock exchange, a regulated market, or a trading list on any one of them, which is not in Israel, and which is listed in the Second or Third Schedule;

**"Regulated market"** - a system through which securities, options or futures contracts are traded, according to rules established by the party permitted to establish such rules in the State in which the system is maintained, and if the trading is conducted in more than one State, by a party permitted to establish such rules in one of the States in which the trading is conducted.

**"Foreign corporation"** - a corporation incorporated in Israel whose securities are listed for trade on a foreign stock exchange;

**"Foreign law"** - the law applying to a foreign corporation because its securities are listed for trade on a foreign stock exchange, including the rules of that foreign stock exchange;

**"Joint Investment Trust Law"** - Joint Investment Trust Law, 5754-1994;

**"Reporting corporation"** - a corporation which is subject to the provisions of section 36 and which has not received an exemption from being subject to them;

**"Certifying authority"**, **"electronic signature"**, **"secure electronic signature"**, **"authorized electronic signature"**, **"electronic message"** - within the meaning thereof under the Electronic Signature Law;

**"Electronic reporting"** - the filing of a document with the ISA by means of an electronic message which is signed with an authorized electronic signature and is capable of being preserved electronically and of being produced as output;



The Securities Law, 1968

“**Electronic confirmation of arrival**” – a confirmation, which is signed with a secure electronic signature, regarding the arrival of an authorized electronic message that has been sent to a secure electronic mailbox;

“**Secured identification mechanism**” – a mechanism which integrates both hardware and software components, which can be controlled only by its owner, and which allows for the identification of the owner in a unique manner;

“**Authorized electronic message**” – an electronic message that has been signed with an authorized electronic signature;

“**Secure electronic mail system**” – a system used for the transmission of electronic messages, regarding which all of the following are true:

- (1) It provides the sender with an electronic confirmation of arrival;
- (2) It allows access to a secure electronic mailbox only through a secured identification mechanism;
- (3) It uses, in a systematic manner, reasonable measures for protection against intrusion and disruption of its functioning, for the purpose of ensuring the reliability of the information contained in it;

“**Secure electronic mailbox**” – an electronic mailbox in a secure electronic mailbox.

“**Computer**”, “**computer material**” and “**output**” - within the meaning thereof under the Computers Law - 5755-1995;

“**The Electronic Signature Law**” - Electronic Signature Law - 2001.

“**The Companies Law**” – The Companies Law, 5759-1999.

“**The Advice Law**” – Regulation of Investment Counseling and Investment Portfolio Management Law - 5755-1995

“**Prohibition of Money Laundering Law**” – the Prohibition of Money Laundering Law, 5760-2000;

“**Arrests Law**” – the Criminal Procedure (Enforcement Powers – Arrests) Law, 5756-1996;

“**Penal Code**” – Penal Code, 5737-1977;

“**Investigator**” – a person who has been appointed pursuant to Section 56A2(a);

“**Senior investigator**” – a person who has been appointed pursuant to Section 56A2(b);

“**Item**” – as defined in the Arrest and Search Ordinance;

“**the ISA’s offices**” – a location that the Chairman of the ISA has, in a notice published in *Reshumot* [Government Gazette], declared to be the ISA’s offices;

“**Corporate officer**” - as defined in the Companies Law;

“**Senior corporate officer**” – as defined in section 37(d);

“**Supervised party**” – any one of the parties listed below, and a controlling shareholder, director and senior corporate officer in any one of them:

- (1) A reporting corporation;
- (2) A corporation making an initial public offering of securities;
- (3) A trustee;
- (4) An underwriter;



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The Securities Law, 1968

- (5) A distributor;
- (6) A member of the Stock Exchange;
- (7) A clearinghouse;
- (8) A company holding a trading platform license as defined in Chapter 7-C;
- (9) A licensee pursuant to the Advice Law;
- (10) A fund manager or trustee;
- (11) An investor listed in Item (2) or (3) of the First Schedule;
- (12) A banking corporation and an auxiliary corporation as defined in the Banking Law (Licensing) – 1981;
- (13) A party that performs the actions permitted to be performed by any of the parties listed in paragraphs (3) through (12), even if such party is not permitted to perform them;
- (14) A party engaged in investment advising or investment portfolio management that does not require a license, pursuant to section 3 of the Advice Law;

**“Securities offense”** – one of the offenses specified below:

- (1) An offense pursuant to this Law;
- (2) (Deleted);
- (3) An offense pursuant to sections 284, 290, 291, 415, 423, 424, 424A and 425 of the Penal Code, which was committed in connection with an offense pursuant to paragraphs (1) or (6);
- (4) An offense pursuant to sections 3 and 4 of the Prohibition of Money Laundering Law, which was committed in connection with an offense pursuant to paragraphs (1), (3) or (6.);
- (5) An offense pursuant to sections 240, 242, 244, 245 and 246 of the Penal Code, which has been committed in connection with an investigation or a judicial proceeding arising from an offense pursuant to paragraphs (1), (3), (4) or (6);
- (6) An offense pursuant to any other legislation that the Minister of Justice and the Minister of Internal Security have ordered, with the approval of the Knesset’s Constitution, Law and Justice Committee;

**“Criminal Procedure Ordinance”** – the Criminal Procedure (Testimony) Ordinance;

**“Arrest and Search Ordinance”** – the Criminal Procedure (Arrest and Search) Ordinance [New Version], 5769-1969;



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The Securities Law, 1968

**Chapter 2:  
The Israel Securities Authority**

**2. Establishment of the Israel Securities Authority**

The **Israel Securities Authority** (hereafter — “**ISA**”) is hereby established; its function shall be to protect the interests of the public investing in securities, as provided in this Law.

**3. Composition of the ISA and appointment of its members**

(Amendments: 5733, 5738(2), 5741, 5748)

- (a) The ISA will be composed of members appointed by the Minister of Finance whose number shall not exceed thirteen; the members shall be appointed from amongst the public, and civil servants, and one of them shall be an employee of the Bank of Israel.
- (b) The Minister of Finance shall appoint one of the ISA members to serve as Chairman of the Israel Securities Authority and one of them to serve as Deputy Chairman.
- (c) A person may not be appointed an ISA member if one of the following applies:
  - (1) He or she is a stock exchange member;
  - (2) He or she engages in trading in securities, whether for himself or herself or for others;
  - (3) He or she is employed by a person as described in sections (1) or (2);
  - (4) He or she is neither a civil servant nor an employee of the Bank of Israel, and in the opinion of the Minister of Finance, his or her other activities are likely to create a conflict of interests with his or her position as an ISA member. For the purpose of this provision, the Bank of Israel shall not be deemed to be a party that engages in the trading in securities.
- (d) Notice of an appointment of an ISA member, a Chairman and a Deputy-Chairman shall be published in *Reshumot* [the Official Gazette].

**4. Term of office of members**

(Amendment: 5748)

- (a) The term of office of an ISA member shall be three years from the date of his or her appointment, but of the first appointees, two shall hold office for two years and two shall hold office for one year.
- (b) The term of office of a Chairman of the ISA shall be five years from the date on which he or she was first appointed Chairman, and when this term





### The Securities Law, 1968

of office ends he or she may be reappointed for additional terms of office of three years each.

- (c) An ISA member whose term of office has ended may be reappointed.
- (d) The Minister of Finance may rescind the appointment of an ISA member who was absent from four consecutive ISA meetings or from six meetings during one fiscal year if, in the Minister's opinion, such absences were without reasonable cause, and after the ISA member has been given a fair opportunity to explain his or her actions; the provisions of subsection (c) shall not apply to a member whose appointment was thus rescinded.

## **5. Prohibition of purchase of securities**

(Amendments: 5741, 5748, 5764)

- (a) An ISA member may carry out transactions in securities only with a permit from the Minister of Finance; such a permit may be general or for particular types of securities.
- (b) An ISA member shall give notice to the ISA and the Minister of Finance, within seven days of his or her appointment, of the securities that he or she holds.
- (c) The provisions of subsections (a) and (b) shall apply as well to employees of the Ministry of Finance who hold professional or administrative positions in matters concerning securities, but notice under subsection (b) shall be given with regard to them only to the Minister of Finance.

## **6. Expiry of membership and appointment of a replacement**

- (a) The Minister of Finance shall remove from office any ISA member who becomes a stock exchange member or begins to do business or to be employed as stated in section 3(c) or who violates the provisions of section 5 or is convicted of an offense involving moral turpitude or becomes bankrupt or in relation to whom a receiver is appointed by the court.
- (b) The membership of an ISA member who is a civil servant or an employee of the Bank of Israel will expire when such ISA member ceases to be a civil servant or an employee of the Bank of Israel.
- (c) If an ISA member resigns or if it becomes clear that he or she is permanently unable to carry out his or her functions, or if he or she dies or is removed from office or his or her membership in the ISA expires, the Minister of Finance shall appoint another member in his or her stead for the remainder of his or her term of office.



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The Securities Law, 1968

**6A. Remuneration**

(Amendment: 5757)

- (a) ISA members will not receive a salary from the ISA for their services.
- (b) The ISA may pay its members remuneration for participation at meetings of the ISA, in amounts and according to rules to be determined by the Minister of Finance.

**7. Validity of acts**

The powers of the ISA and the validity of its acts shall not be affected by the fact that the office of a member became vacant or by a defect in a member's appointment or a member's continuation in office.

**8. The ISA — a corporation**

[Amendment: 5738(2)]

- (a) The ISA shall be a corporation, competent for every obligation, right or legal act.
- (b) The Chairman of the ISA, the Deputy-Chairman or another member so authorized by the ISA may represent the Israel Securities Authority.

**9. The ISA — an audited body**

The ISA shall be an audited body within the meaning of section 9(2) of the State Comptroller Law [Consolidated Version], 1958.

**9A. Management of the ISA**

[Amendment: 5748]

The Chairman of the ISA is responsible for the activities of the ISA and for implementing its decisions.

**9B. Publication of decisions**

(Amendment: 5748)

The ISA shall publish its decisions which it believes are of fundamental importance.

**10. Employees of the ISA**

- (a) The ISA may employ staff in accordance with a complement approved by the Minister of Finance; the engagement, appointment, terms of employment, remuneration and benefits of ISA employees shall be like those of civil servants.



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The Securities Law, 1968

- (b) The provisions of sections 3(c) and 5 shall also apply, *mutatis mutandis*, to ISA employees carrying out professional or administrative functions therein.

**10A. Restrictions after leaving**

(Amendment: 5757)

- (a) An ISA employee who dealt with a particular matter in the course of carrying out his or her functions at the ISA shall not represent a person in the same matter before the ISA after leaving his or her employment at the ISA.
- (b) An ISA employee who has left shall not represent any person before any ISA employee who was his or her subordinate before he or she left, and shall not ask such ISA employee to grant him or her any right, either for himself or herself or for his or her business, whether by agreement or by an act of the ISA, when the granting thereof is subject to the discretion of such employee. All of the above shall apply until one year has passed from the date on which the subordinate relationship ended.
- (c) An ISA employee who has left the ISA shall not receive, for three months from the date on which he or she left, any right or benefit from a person who was in contact with the ISA during the year preceding the date on which the employee left, unless he or she receives permission for this from the Chairman of the ISA; the Chairman shall report to the ISA members regarding permission that has been thus granted.
- (d) An ISA employee who has left the ISA shall not be a principal shareholder in a stock exchange member by virtue of his or her holdings [therein] until one year has passed from the date on which he or she left the ISA, and may not be an employee of a stock exchange member until three months have passed from such date, unless the departed ISA member has obtained permission for such from the Permission Committee established pursuant to section 11 of the Public Service Law (Restrictions After Retirement), 5729-1969. For this purpose, sections 12 and 13 of the said Law shall be applicable.
- (e) An ISA employee who has left the ISA shall not engage in the trading of securities, whether for himself or herself or for others, until three months have passed from the date on which he or she left the ISA, except with the permission of the Chairman of the ISA; the Chairman shall report to the ISA members regarding permission that has been thus granted.



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## The Securities Law, 1968

### **10B. Special restrictions**

(Amendment: 5757)

The Minister of Justice, in consultation with the Minister of Finance, and with the approval of the Constitution, Law and Justice Committee of the Knesset, may:

- (1) Establish rules concerning special restrictions that will apply to employees who were authorized pursuant to sections 56A and 56C after leaving the ISA; such special restrictions shall take into consideration the nature of the powers granted and the matters involved in their positions.
- (2) Authorize a person to permit an employee described in section (1) to deviate from the special restrictions.

### **10C. Grant of permission**

(Amendment: 5757)

- (a) A person allowed to grant permission by virtue of sections 10A or 10B may condition such permission on the fulfillment of terms.
- (b) Permission shall not be granted pursuant to sections 10A or 10B unless the person granting the same is persuaded that the principles of integrity and ethics will not be affected by the act regarding which permission has been requested.

## **11. Budget**

The ISA shall prepare a budget proposal each year and submit the same to the Minister of Finance; the budget shall be subject to the approval of the Minister of Finance and of the Knesset Finance Committee.

## **12. Procedure and rules for applications**

[Amendments: 5738(2), 5748, 5754, 5760, 5760(2), 5768(2)]

- (a) The ISA shall prescribe the procedure for its meetings and deliberations in as far as they are not prescribed by this Law.
- (b) Five ISA members, including the Chairman or Deputy Chairman, shall constitute a quorum at its meetings.
- (c) ISA resolutions shall be passed by a majority of votes; abstentions shall not be counted as votes.
- (d) Rules pertaining to applications for permission to publish prospectuses shall be prescribed by the ISA with the approval of the Minister of Finance and shall be published in *Reshumot*, and the ISA may prescribe, as stated, separate arrangements that will apply to applications for permission to publish prospectuses of the types listed in Schedule 3-A; the Minister of Finance may, in accordance with an ISA proposal or after



The Securities Law, 1968

consulting with the ISA, and with the approval of the Knesset Finance Committee, modify the said Schedule through [the issuance of] an Order.

- (e) The ISA may, with the approval of the Minister of Finance, prescribe general or particular rules for the handling of reports as provided in section 36(c); the rules shall be published in *Reshumot*.

**12A. Delegation of powers**

[Amendment: 5738(2)]

- (a) The ISA may delegate its powers to a committee consisting of at least three members.
- (b) A majority of the members of [such] a committee shall constitute a quorum.

**13. Confidentiality**

[Amendment: 5748]

Deliberations of the ISA or material submitted to it or to its members by virtue of their membership may not be disclosed save with the consent of the ISA or the Chairman, or as provided by section 44; nothing in this provision shall be construed as preventing disclosure upon the Attorney-General's demand for purposes of a criminal trial, or upon a Court request.

**14. Reports**

The ISA shall, upon demand and not less than once a year, deliver a report on its activities to the Minister of Finance and to the Knesset Finance Committee.

**14A. Appeal of ISA decisions**

[Amendments: 5748, 5770(5)]

Cancelled.

**Chapter 3:  
Prospectus and Permit for Publication**

**15. Offer of sale to the public**

[Amendments: 5760(2), 5764(4)]

- (a) No person shall offer [securities] to the public other than according to a prospectus, the publication of which has been authorized by the ISA, or according to a draft prospectus that was authorized and signed according to provisions of section 22 and submitted to the ISA.
- (b) No person may sell securities to the public other than according to a prospectus, the publication of which has been authorized by the ISA.



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The Securities Law, 1968

**15A. Acts not deemed offers to the public.**

[Amendments: 5760(2), 5764(2), 5768(2), 5771(2)]

- (a) Each of the following will not be deemed an offer or a sale to the public:
- (1) An offer to a number of investors not exceeding the number prescribed in regulations, provided that the number of investors to whom the offeror will sell the offered securities, combined with the number of investors to whom the offeror has sold securities during the twelve months preceding the said offer, does not exceed the prescribed number; for this purpose, investors who purchased shares and securities that are convertible into or which may be realized as shares, and investors who purchased other securities, shall be counted separately;
  - (2) An allotment of bonus shares that do not afford a choice to those entitled to receive them; for this purpose, “bonus shares” shall mean shares allocated by the company, for no consideration, to all its security holders entitled to receive the bonus shares, according to their proportionate holdings on a date proclaimed by the company, provided that the said date is later than the date of the notice of the resolution to allocate the bonus shares;
  - (3) An allotment or transfer of securities to all or some of the corporation’s security holders pursuant to a judgment or court decree granted in a class action as defined in the Companies Law, or any allotment or transfer pursuant to a decision in a proceeding under sections 350 or 351 of the Companies Law, provided that the ISA was given an opportunity to appear in the proceeding and state its view with regard to the necessity of publishing a prospectus in order to secure the interests of the intended offerees;
  - (4) An announcement of intent to sell securities:
    - (a) To a number of offerees not exceeding the number prescribed in regulations enacted with regard to subparagraph (1), and who shall be selected in a procedure determined by the person issuing the announcement;
    - (b) To investors described in paragraph (7);
  - (5) Negotiations between an offeror and a party who is considering assuming an underwriting commitment, providing the aforesaid party is qualified according to the provisions stipulated in section 56(c);



The Securities Law, 1968

- (6) The provision of explanations at the meeting of a corporation's employees or at the meeting of employees of a corporation which controls or is controlled by the said corporation, regarding the offer of securities to such employees, as long as no information is provided regarding a reporting corporation if such information has not, as of the date of the meeting, been published in a prospectus issued by the corporation or in a report filed pursuant to Chapter Six; minutes shall be taken at the aforesaid meeting and made available to the employees;
  - (7) An offer or sale to investors who are among those specified in subsection (b).
- (b) For purposes of subsection (a), the following shall not be considered as investors:
- (1) An investor of the type listed in the First Schedule; the Minister of Finance may, after consultation with the ISA and with the approval of the Knesset Finance Committee, add or detract from the First Schedule;
  - (2) An investor incorporated outside of Israel and which, in the opinion of the ISA, is capable of obtaining the information which it requires in order to make a decision to invest in the securities and which would have appeared in a prospectus, had a prospectus been published;
  - (3) A controlling shareholder, a general manager or a director of the corporation whose securities are being offered, or of a corporation under the control of the aforesaid corporation.

**15B. Restrictions on the application of Section 15**

[Amendments: 5760(2), 5764(2), 5770(4)]

Section 15 shall not apply to any of the following:

- (1) (a) An offer of securities issued by a reporting corporation to its employees, including to the employees of a corporation controlled by it, which is carried out within the framework of the employee benefit plan, by way of a descriptive outline which contains particulars of the offer and of the offered securities as shall be provided in the regulations as well as a reference to the last periodic report, to interim financial reports and to subsequently submitted immediate reports, all in accordance with provisions of Chapter Six; regulations applicable to the aforesaid document shall be the same as the ones applicable to reports according to section 36; regulations enacted pursuant to this section shall also contain provisions regarding the details, form and structure according to which the aforesaid document shall be delivered to the employees.



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The Securities Law, 1968

- (b) The offer by the State of the securities – issued by the State – of a reporting corporation, including securities that are convertible into or which may be realized as the securities of such corporation, to the employees of the aforesaid corporation (including the employees of a corporation under control of the aforesaid corporation), in the course of a privatization which is carried out by way of a descriptive outline such as is prescribed in sub-section (a), and not pursuant to a prospectus.
- (2) (a) An offer of securities issued by corporation which is not a reporting corporation, and whose securities are not listed for trade outside Israel, to its employees including the employees of a corporation under control of the aforesaid corporation, within the framework of an employee benefit plan, providing the consideration received for the offer and the percentage of the corporation's issued and paid-up capital which shall be allotted to the employees by means of the aforesaid offer, along with the consideration received and the allotment made in the same framework during the preceding year do not exceed the consideration and percentage prescribed in the regulations; the corporation shall deliver a copy of the plan to each employee entitled to the offered securities;
- (b) The offer by the State of the securities – issued by the State – of a non-reporting corporation, including of securities that are convertible into or which may be realized as the securities of [such] corporation, to the employees of the aforesaid corporation (including the employees of a corporation under control of the said corporation), in the course of a privatization which is carried out by way of a descriptive outline such as is stipulated in sub-section (a), and not pursuant to a prospectus.
- (3) An offer made during the course of trading on the stock exchange whereon the securities are traded;
- (3a)<sup>3</sup> An offer in the course of trading on a trading platform as defined in section 44L, of securities listed for trading on the stock exchange.
- (4) An offer of securities issued by a non-reporting corporation to a number of investors, even if such number exceeds the number stipulated in regulations enacted pursuant to section 15A(a)(1), including a joint offer made by the corporation and a shareholder, providing the consideration received and the percentage of the issued and paid-up capital of the allotment do not exceed the maximum consideration and percentage for a single offering [of this kind] as

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<sup>3</sup> Paragraph (3a) of section 15B of the Law enters into effect three months after 15 June 2010, or on the date that regulations enacted pursuant to sections 44M(b)(5) and (6) and 44CC of the Law enter into effect, whichever is later.





### The Securities Law, 1968

prescribed by the regulations, and providing the two of the following conditions are met:

- (a) The percentage of the corporation's capital which is allotted under the aforesaid offer, in combination with the capital that the corporation allotted in prior offers made not according to a prospectus, does not exceed the percentage of the corporation's capital prescribed in the regulations;
  - (b) The number of investors in the aforesaid offer, together with the number of investors to whom the corporation had previously sold securities not according to a prospectus, does not exceed the number stipulated in the regulations;
- (5) A listing of securities for trade on a stock exchange as a result of:
- (a) A public offering of securities made according to a prospectus;
  - (b) A private placement of a listed company, within the meaning thereof under section 46(a)(4);
  - (c) An offering of securities that are of the same class as those listed for trade on a stock exchange, which offering is directed at the public outside of Israel, including the listing of the aforesaid securities for trade on an exchange outside of Israel;
  - (d) Realization or conversion of securities into other securities that were offered in accordance with sub-sections (a) or (b);
  - (e) Allotment of securities which come under the provisions of section (1) of this section, or under the provisions of sections (a) (2) and (3) of section 15A.

In this section:

**“Consideration”** - including consideration for realization or conversion of realizable or convertible securities;

**“Privatization”** - offer of securities by the State for the purpose of implementing a privatization decision according to Chapter 8A of the Government Companies Law – 1975, or a Government resolution according to section 8(b) of the aforesaid Law, or an offer as aforesaid in the course of a sale pursuant to Chapter 7 of the Bank Shares Arrangement Law (Temporary Provisions) – 1993.

**“Offer”** - including a sale.

#### **15C. Restrictions on resale of securities**

(Amendments: 5760(2), (3))

- (a) Notwithstanding the provisions of section 15B (3), the following shall be regarded as offerings to the public:
  - (1) An offering in the course of trading on a stock exchange of securities which are listed for trading thereon, and which were allotted to the offeror



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The Securities Law, 1968

by an issuer in an offer under section 15A(a)(1), (4) or (7), or in an offering made abroad not by way of a prospectus - if the period prescribed in the regulations from the date of the allotment has not elapsed, or if additional periods as prescribed in regulations have not yet elapsed and one of the following has occurred during each of the additional periods:

- (a) The quantity of the offered securities exceeds the quantity prescribed in the regulations;
- (b) The percentage of the issued and paid-up capital which is being offered by the corporation whose securities are being offered exceeds the percentage prescribed in the regulations;

The provisions of this paragraph shall also apply to securities purchased during the said period or additional periods, other than in accordance with a prospectus and not during the course of trading on a stock exchange, from the offeror or from a corporation under the control of the corporation whose shares are being offered. These provisions shall also apply to securities resulting from the realization or conversion of securities that were allotted as stated in this section;

- (2) An offering in the course of trading on a stock exchange of securities which are listed for trading thereon, and which were allotted, other than pursuant to a prospectus, to a corporation under the control of the corporation whose securities are being offered, if the period beginning on the date of the allotment to the said corporation and which is prescribed in the regulations has not yet elapsed;
- (b) The provisions of paragraph (a) shall not apply to an offer made, during the course of trading on a stock exchange, by the State or by a person who has purchased securities offered by the State in the course of a privatization within the meaning of section 15B.

**15D. Offers to employees of a corporation listed for trade outside of Israel**

[Amendments: 5760(2), 5764(2)]

The ISA may exempt from any or all of the provisions of this Law a corporation whose securities are listed for trade outside of Israel and which is not a reporting corporation, and which offers or sells its securities to its employees or to the employees of a corporation under its control, in Israel, within the framework of an employees benefit plan, if the ISA is satisfied that the laws of the country where the securities are traded sufficiently protect the interests of the employees in Israel, in a manner similar to the requirements of section 15B(1), and the ISA may condition the exemption on such terms as the ISA shall prescribe for purposes of ensuring that all the details required according to section 15B(1) will be at the disposal of the employees, including a Hebrew translation of all the offering documents, and [on] the delivery thereof to the employees.



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The Securities Law, 1968

**15E. Special provisions**

[Amendment: 5760(2)]

The ISA may, with the approval of the Minister of Finance, promulgate rules that shall enable it to exempt an offeror from any or all of the provisions pertaining to the details, structure or form of a prospectus, or with regard to particular types of offers, offerors, corporations or securities; these rules shall be published in *Reshumot*.

**15F. Regulations**

[Amendment: 5760(2)]

The Minister of Finance, with the approval of the Knesset Finance Committee, shall enact regulations in accordance with sections 15A through 15C; regulations enacted pursuant to this section shall be made in accordance with ISA proposals or after consultation with the ISA.

**16. Prospectus**

[Amendments: 5768, 5764(2), 5771(2)]

- (a) A prospectus shall contain every detail of importance to a reasonable investor considering the purchase of the securities offered therein, and every detail established by the Minister of Finance in regulations [enacted] pursuant to section 17.
- (a1) (1) In an offering of securities that is not an offering of rights, the following the following is permitted –
  - (a) Details pertaining to the underwriter and the distributor, as provided in the regulations enacted pursuant to section 17D(a)(2), and any detail made necessary by them, may be omitted;
  - (b) (Revoked);
- (2) Details not included in the prospectus or which are not amended according to the provisions of section (1), shall be included in a supplemental notice published by the offeror on the date and by the means stipulated by the Minister under section 17D (a)(2), and shall be viewed as an integral part of the prospectus, from the date of their publication;
- (b) A prospectus shall not contain any misleading items.

**17. Regulations concerning items in a draft prospectus and in a prospectus**

(Amendments: 5748, 5751, 5764, 5764(2))

- (a) The Minister of Finance shall, upon an ISA proposal, or after consultation with the ISA, and with the approval of the Knesset Finance Committee, enact



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The Securities Law, 1968

regulations with regard the items to be included in a draft prospectus and in a prospectus, and regarding their structure and form.

- (b) Regulations under this section may relate, *inter alia*, to the following matters:
- (1) Financial statements of the issuer, its subsidiaries and associated companies, the amount of detail to be included therein and the accounting principles to be used in preparing them;
  - (2) Subjects and items to which an accountant shall relate in his opinion on the financial statements described in section (1), and the form of the opinion;
  - (3) An opinion of an attorney on matters concerning the issue and offer of the securities, including the authority of the issuer and the offeror to issue and offer them in the form in which they are being offered, and also any other legal matter, all of which as prescribed in regulations;
  - (4) A confirmation by an attorney that all the permits required by law for offering the securities to the public have been obtained;
  - (5) Particulars of a principal shareholder in the issuer and a description of such principal shareholder's affiliation with the issuer.
  - (6) The price of the offered securities; for this purpose the term "the price" – shall also refer to a price range.
- (c) A principal shareholder must transmit to the issuer the particulars required by the issuer in order to fulfill its obligations under the regulations enacted pursuant to sub-section (b)(5).
- (d) The Minister of Finance may enact regulations under this section either in general or for classes of securities, of issuers, of offerors or of offers to the public, or according to any other classification.

**17A. Sale at a uniform price**

(Amendment: 5764(2))

- (a) A sale pursuant to a prospectus of securities which are listed or regarding which it is intended that they will be listed for trading on a stock exchange (in this section – "offered securities"), shall be carried out according to a uniform price; for this purpose, the term "price" also refers to terms of payment or any discount or benefit extended to a purchaser, and does not include the cost of a reasonable and accepted distribution commission paid to the distributor. However, the Minister of Finance is authorized to prescribe, in accordance with an ISA proposal or following consultation with the ISA, and with the approval of the Knesset Finance Committee, certain types of offers or purchasers and certain conditions under which the offered securities might be sold at a different price.
- (b) If offered securities are sold at varying prices, other than in accordance with regulations enacted pursuant to sub-section (a), the offeror, underwriter or distributor that sold the aforesaid securities at a price lower



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### The Securities Law, 1968

than the price established in the supplemental notice, or lower than the price established in the prospectus shall be, if no supplemental notice was published, liable to anyone purchasing the aforesaid securities as part of the sale under a prospectus. The extent of such liability shall be the liable party's proportionate share of the difference between the price paid by the aforesaid purchaser, and the lowest price paid by another purchaser who purchased the securities as part of the sale pursuant to the prospectus.

- (c) The Minister of Finance may prescribe, according to an ISA proposal or after consultation with the ISA and with the approval of the Knesset Finance Committee, the rate of criteria for a reasonable and accepted distribution commission, within the meaning thereof under sub-section (a).

#### **17B. Annulment of prior commitments**

(Amendment: 5764(2))

A prior commitment regarding the purchase of securities, which is not an underwriting commitment and which was given prior to the commencement of the period for placing orders, shall be void, unless it was made by an investor who is one of those listed under section 15A(b)(1) or (2), under the conditions prescribed in regulations enacted pursuant to section 17.

#### **17C. Manner of offering and selling securities**

(Amendment: 5764(2))

- (a) (1) The offer and sale, pursuant to a prospectus, of securities which are listed or regarding which it is intended that they will be listed for trading on a stock exchange, shall be carried out pursuant to equal terms and in a uniform manner to all (in this Law – a “uniform offer”). However, the Minister of Finance may prescribe conditions and circumstances under which all or some of the provisions of this sub-section will not apply, including with regard to certain types of offers, securities or purchasers, or with regard to securities that are being issued in an amount which is higher than an amount established by the Minister of Finance, providing that the price of the offered securities is a uniform price, with the term “price” having the meaning given in section 17A.
  - (2) A uniform offer shall be made without a maximum price being established for the offered securities; however, the Minister of Finance may stipulate in regulations that the prohibition regarding a maximum price for securities will not apply or that it will apply under terms that the Minister shall establish.
- (b) In addition to the provisions of sub-section (a), the Minister of Finance may prescribe terms and restrictions pertaining to the offer pursuant to a prospectus of



The Securities Law, 1968

securities that are listed or that are about to be listed for trading on the stock exchange, and pertaining to the sale of such securities as well.

- (c) Regulations pursuant to this section may be amended according to ISA proposals or upon consultation with the ISA, and with the approval of the Knesset Finance Committee.

**17D. Regulations pertaining to marking, numeration, distribution and a supplemental notice**

(Amendment: 5764(2))

- (a) The Minister of Finance shall prescribe the following, according to ISA proposals or upon consultation with the ISA, and with the approval of the Knesset Finance Committee:
- (1) The manner in which both draft prospectuses and prospectuses shall be marked, numbered and distributed;
  - (2) The details to be included in a supplemental notice, and the manner and date of its publication;
  - (3) The scope of amendments that may be made to the terms of securities, pursuant to section 16(a1)(1)(b)
- (b) In regulations enacted pursuant to sub-section (a), the Minister of Finance may stipulate different methods for carrying out offers.

**17E. Pricing underwriter**

(Amendment: 5764(2))

There shall be at least one pricing underwriter for an offering which is guaranteed by an underwriting commitment.

**17F Duty to act in good faith**

(Amendment: 5764(2))

An underwriter shall act in good faith and abstain from abusing its powers when acting as an underwriter.

**18. Draft prospectus**

(Amendments: 5744, 5754, 5764(2))

- (a) A draft prospectus shall include all the items that are to be included under Sections 16 and 17, but a draft need not include the price and quantity of the securities being offered.
- (b) An offeror who wishes to receive an exemption from being required to include a particular item in a prospectus, as described in section 19, shall submit to the ISA an application for the exemption, and shall specify therein the aforesaid item; the application shall be filed with the ISA



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The Securities Law, 1968

together with the draft prospectus, and the item need not be included in the draft prospectus.

- (c) The offeror must transmit to the ISA in writing, upon demand, any explanation, details, information and documents concerning the items contained in the draft prospectus or any other matter regarding which the ISA demands a clarification.

**19. Exemption from disclosure**

(Amendment: 5748)

- (a) The ISA may exempt the offeror from the need to disclose a [particular] item [or items] in the prospectus if:
  - (1) In the opinion of the ISA, the preservation of a trade secret justifies the nondisclosure of the item, and provided that the said item is not one which, had it been included in the prospectus, would have deterred a reasonable investor from purchasing the offered securities;
  - (2) The said disclosure is liable to damage the security or economy of the State, or any investigation being conducted by the Israel Police or by the ISA, and the Minister of Defense or the Minister of Finance or the Minister of the Police or the Chairman of the ISA, whichever is relevant, or someone authorized by any one of them for such purpose, has attested in a signed certificate that the disclosure would cause such damage.
- (b) If the ISA is of the opinion that from the point of view of a reasonable investor contemplating the purchase of the offered securities, disclosure of an item such as is described in subsection (a)(2) is of importance, the publication of the prospectus shall not be authorized.
- (c) In the event that an exemption from a disclosure requirement has been granted by virtue of subsection (a), the prospectus shall state that an exemption from a disclosure requirement has been granted.

**20. ISA requirements regarding matters to be included in prospectuses**

(Amendments: 5748, 5750)

- (a) The ISA may require the offeror to include the following matters in the prospectus if it is of the opinion that, under the circumstances of the case, such matters are important to a reasonable investor contemplating the purchase of the offered securities:
  - (1) Any particular which is in addition to those presented in the draft prospectus, or additional specification beyond that required in regulations enacted pursuant to section 17;



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The Securities Law, 1968

- (2) Any item which is required by regulations enacted pursuant to section 17 in regard to an issuer – with regard to its subsidiary or associated company;
  - (3) An attorney's opinion regarding a specific particular in addition to the items required pursuant to section 17(b)(3);
  - (4) An opinion by an expert regarding a revaluation or any other matter contained in the draft prospectus or the financial reports included therein.
  - (5) Other reports and opinions in addition to those contained in the draft prospectus.
  - (6) After having granted the offeror an opportunity to be heard – the ISA may require financial statements, [and] an opinion or review by the accountant who audited or reviewed the same or of another accountant in lieu of the same documents that were included the draft prospectus, if, in the opinion of the ISA, those [included in the draft prospectus] are not in conformity with generally accepted accounting principles and with generally accepted reporting standards, or do not properly depict the state of affairs of the business of the issuer.
- (b) The ISA may demand of the offeror that a specific item in the draft prospectus be given special prominence in the prospectus in such form as the ISA may direct.

**20A. Examination procedures**

(Amendment: 5754)

- (a) Procedures pertaining to the examination of draft prospectuses shall be prescribed by the ISA with the approval of the Minister of Finance and shall be published in *Reshumot*; the said examination procedures may be prescribed according to types of securities, issuers, offerors or offers to the public, or according to any other classification.
- (b) Notice of the examination procedures described in subsection (a), as approved by the Minister of Finance, shall be conveyed to the Knesset Finance Committee by the ISA, and shall be published in *Reshumot* within 14 days of the said notice, provided that a request for cancellation of such has not been received by a member of the said committee; if a request for cancellation is so received, the committee will resolve the issue, and the examination procedure shall be published in *Reshumot* 30 days following the said request, if the procedure is not canceled by the committee.

**21. Permit for the publication of a prospectus**

(Amendments: 5748, 5754)

- (a) The ISA shall grant a permit for the publication of a prospectus if it is satisfied that the draft prospectus is in compliance with the provisions of this Law and with the ISA's requirements pursuant thereto, and that all other permits as required by





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### The Securities Law, 1968

- law have been obtained prior to its publication; the ISA may satisfy itself by applying the examination procedure it deems appropriate from amongst the procedures established by virtue of section 20A.
- (b) The permit shall not constitute a verification of the items contained in the prospectus or a certificate of credibility or completeness of said items or an expression of opinion as to the quality of the securities offered.
  - (c) The contents of subsection (b) shall be stated in the prospectus.

#### **21A. Issues for the purpose of extending credit to connected parties**

A corporation subject to the provisions of section (6) of the definition “extending credit” in section 21 of the Banking (Licensing) Law, 1981 -

- (1) may not extend credit to an individual recipient of credit in an amount exceeding the particular percentage of the issue established by the Minister of Finance in an order, after consultation with the ISA;
- (2) shall include in the prospectus, if the ISA so requires, the financial statements of recipients of the credit, or other information, which, in the opinion of the ISA, is required by a reasonable investor.

#### **22. Approval and signature of the draft prospectus and prospectus**

(Amendments: 5748, 5764 (2))

- (a) The draft prospectus which is first submitted to the ISA, and the draft prospectus pursuant to which the securities will be offered to the public shall be approved by the issuer’s board of directors and signed by the issuer. If the securities are not being offered by the issuer, the said drafts will also be signed by the offeror, and the text of the prospectus according to which the securities will be offered to the public must be signed by at least one of the underwriters intended to serve as a pricing underwriter for the offer.
- (b) The prospectus shall be signed by the issuer and a majority of the members of the board of directors, at least one of whom shall be a public director, and in the case of an initial public offering of securities to the public - by at least one director who is not a principal shareholder other than by virtue of being a director; a director shall sign personally or through a person authorized in writing by the director to sign the prospectus on his behalf; in this section, the term “public director” - shall have the same meaning in article 2 of Chapter 4 of the Companies Ordinance [New Version], 1983.
- (c) If there is an underwriter for the offer, the prospectus will be signed by the underwriter as well.
- (d) If the securities are not being offered by the issuer, the prospectus will be signed by the offeror as well.



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The Securities Law, 1968

- (d1) A supplemental notice will be signed by the issuer; if the securities are not being offered by the issuer, the supplemental notice will also be signed by the offeror. If there is an underwriter for the offer, the supplemental notice will be signed by the underwriter as well; upon the underwriter having signed the supplemental notice, the underwriter will be deemed for all matters and purposes as having signed the prospectus, and in signing, the underwriter will confirm that it is aware of this rule.
- (e) In the event that a director is opposed to the publication of the prospectus or has refused to sign the same, and has brought the matter to the knowledge of the ISA by written notice stating his reasons for the same, the ISA may delay the publication of the prospectus if it is of the opinion that there exists a claim that in all probability would cause court intervention had the matter been brought before it; the delay shall be for ten days commencing on the date of the decision of the ISA, unless otherwise ordered by the court.
- (f) Notice of any action commenced by virtue of subsection (e) shall be delivered to the ISA, and the ISA may be present and be heard in any such action.

**23. Date and publication of prospectus**

(Amendments: 5748, 5763, 5764(2), 5768(2))

- (a) A prospectus whose publication has been authorized will be published through electronic reporting pursuant to section 44b, within seven days from the date on which permission was granted. The prospectus shall bear the date of its publication (hereafter - the date of the prospectus or the date of the prospectus' publication).
  - (a1) If the publication by electronic reporting was carried out by 9:30 a.m., the date of the prospectus' publication shall be the day on which the prospectus was reported electronically as stated in sub-section (a) and if it was carried out after that hour, the publication date shall be the date after the day on which the reporting was carried out.
  - (b) Notwithstanding the provisions of sub-section (a1), if a supplemental notice is published, its publication date will be deemed to be the prospectus' publication date.
  - (c) No later than the first business day after the date of the prospectus, the offeror must:
    - (1) In the case of an offering to the public, as a result of which the corporation will become a reporting corporation, the corporation shall submit a copy of the prospectus and a copy of the permit for its publication to the Registrar, and if the prospectus contains an offering of securities for which a trust deed has been signed — the trust deed shall also be submitted;



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The Securities Law, 1968

- (2) Publish in a newspaper, pursuant to section 55B, notice of the submission of the documents listed in paragraph (1);

(d) *Repealed*

**23A. Shelf prospectus**

(Amendments: 5765, 5768(2))

- (a) A person may offer securities in accordance with a prospectus, on several occasions, at various times (in this law – a shelf prospectus), in accordance with the provisions of this section.
- (b) Any offer to the public of securities in accordance with a shelf prospectus shall be made within 24 months of the date of the shelf prospectus' publication.
- (c) Notwithstanding the provisions of sub-section (b), an offer to the public of commercial paper in accordance with a shelf prospectus that includes, in accordance with regulations enacted pursuant to sections 16 and 17, only the details that are to be included in a prospectus for an offer of commercial paper, must be made within 12 months of the date of publication of the shelf prospectus.
- (d) The Minister of Finance, in accordance with an ISA proposal or after consultation with the ISA, and with the approval of the Knesset Finance Committee, may establish conditions for an offer of securities in accordance with a shelf prospectus, including the following terms:
- (1) That the investment rating given to the securities being offered by a ratings agency stipulated by the Minister of Finance, is as prescribed;
  - (2) That the corporation has been a reporting corporation or a corporation to which the provisions of Chapter 5C apply throughout a period established by the Minister of Finance as stated, and that it has complied with the reporting requirements imposed pursuant to this law.
- (e) If the ISA discovers, after granting the permit to publish a shelf prospectus, that one of the terms under sub-section (d) was not fulfilled at the time the permit was granted as aforesaid, or that such a term subsequently ceased to be fulfilled, the ISA may, after giving the offeror an opportunity to state its case to the ISA, give an order that no further securities shall be offered in accordance with the shelf prospectus, or it may make the continued offering of securities thereunder conditional upon such terms as the ISA shall stipulate.
- (f) An offeror wishing to offer securities in accordance with a shelf prospectus shall submit to the ISA a report concerning the offer (in this law — a shelf offer report); this sub-section shall not apply to an offer of securities in accordance with a shelf prospectus if all of its details, including the period for placing orders pursuant to the shelf prospectus, were established in the shelf prospectus on its date of publication.



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The Securities Law, 1968

- (g) A shelf offer report shall have the status of a prospectus, and that which is stated in the report shall be regarded, from the date of its publication, as an integral part of the shelf prospectus; but:
- (1) Publication of a shelf offer report does not require permission from the ISA under this Law;
  - (2) The Minister of Finance, in accordance with a proposal of the ISA or after consultation with the ISA, and with the approval of the Knesset Finance Committee, may determine the details that should be included in a shelf offer report, the structure and form thereof and the manner and date for filing and publishing such a report.

**Chapter 4:**  
**Orders [placed] pursuant to a prospectus**

**24. The period for placing orders**

(Amendments: 5764(4), 5765)

- (a) The period for placing orders for securities offered in a prospectus (hereinafter, in this Law - orders) shall be established in the prospectus, provided that the commencement and the closing of the aforesaid period shall not extend beyond the dates stipulated for that purpose in sub-sections (b) or (c), as relevant.
- (b) The Minister of Finance, in accordance with a proposal of the ISA and after the consultation with the ISA, and with the approval of the Knesset Finance Committee, shall stipulate all of the following:
- (1) The date on which the period for placing orders shall begin, providing it is not later than the publication date of the prospectus;
  - (2) The closing date of the period for placing orders, providing it is no later than 45 days from the date on which it commences;

In regulations enacted pursuant to this sub-section, the Minister of Finance may stipulate different dates for different classes of securities, types of offers or types of prospectuses.

- (c) The ISA may set an earlier date for the beginning of the period established in the Regulations pursuant to sub-section (b) for placing orders, provided that such date comes after the publication date of the prospectus; furthermore, the ISA may postpone the aforesaid date for the conclusion of the said period, provided that it does not extend beyond 6 months from the date on which the period commences; the ISA may set earlier or later dates according to this sub-section under conditions it finds appropriate.
- (d) The offeror shall not accept orders before the commencement of the period for placing them nor after the conclusion of such period.



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The Securities Law, 1968

- (e) Notwithstanding the provisions at the beginning of sub-section (a), in an offer made according to a shelf prospectus the offeror may specify the period for placing orders in the shelf prospectus report.

**25. Amendment of a prospectus in special cases**

[Amendments: 5748, 5764(2)]

- (a) If the ISA becomes aware, after it has granted permission for publication of a prospectus and before the end of the period for placing orders, that something has been discovered or occurred, the knowledge whereof would have induced the ISA not to permit the publication of the prospectus at all or not to permit it until after material changes were made in the draft prospectus, the ISA may order the offeror, after giving the offeror a suitable opportunity to state its case, to publish immediately or no later than by a date which the ISA shall prescribe, an amendment to the prospectus or an amended prospectus, in the form and manner that the ISA shall direct.
- (b) If an amendment to the prospectus or an amended prospectus is published in accordance with an ISA instruction pursuant to subsection (a), the dates prescribed in this Law or pursuant thereto shall be deferred, and for this purpose the date of the amendment's or of the amended prospectus' publication shall be regarded as the date of the prospectus' publication, unless the ISA provides.
- (c) Repealed.
- (d) The offeror must notify the ISA in writing, immediately after becoming aware of anything likely to be taken into account by the ISA for purposes of its considerations pursuant to subsection (a), and likewise, any person who has issued an opinion, report or certificate included or mentioned in the prospectus with that person's prior consent must notify the ISA of such matters in writing; if the offer was not made by the issuer, this obligation shall apply also to the issuer.

**25A. Amendment of prospectus upon request of offeror or as a result of the publication of financial reports**

(Amendments: 5748, 5764(2))

- (a) In order to change any item in a prospectus, after permission has been granted for its publication and prior to the conclusion of the period for placing orders pursuant to the prospectus, the offeror must submit an application to the ISA, and if an application has been submitted to have the securities listed for trade on a stock exchange - a copy of the said application shall be submitted to the stock exchange as well. If the ISA approves the change, the offeror shall amend the prospectus accordingly; the ISA may allow the amendment of the prospectus as aforesaid if it deems the same necessary or if it is of the opinion that the said amendment will not prejudice the rights of any person who has placed an order or purchased the offered securities prior to the publication of the amendment to the



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The Securities Law, 1968

- prospectus. The duty to submit an application to the ISA will not apply to the amendment of an item which is listed in section 16(a1), provided that the amended item was published prior to the last date for submission of a supplementary notice.
- (b) If, after permission has been granted for the publication of a prospectus and prior to the conclusion of the period for placing orders pursuant to the prospectus, the financial reports of the offeror, the issuer or of any other corporation the financial reports of which were included in the prospectus are submitted to the ISA, the ISA shall order the offeror to publish, immediately or within the period prescribed, an amendment to the prospectus or an amended prospectus, in such form and manner as the ISA shall direct.
- (c) If the ISA has approved an amendment to the prospectus under subsection (a) or has ordered the publication of an amendment to the prospectus or of an amended prospectus under subsection (b), the provisions of sections 25(b) shall apply, *mutatis mutandis*.

**25B. Regulations pertaining to an amendment of a prospectus and an amended prospectus**

(Amendment: 5748)

- (a) Both an amendment to a prospectus and an amended prospectus shall be regarded as a prospectus, and shall be subject to all the provisions of this Law.
- (b) If publication of an amendment to a prospectus or an amended prospectus has occurred at a time at which the offeror was required to update financial reports in the amendment or in the amended prospectus, the ISA may, in special circumstances, exempt the offeror from including them therein; if the ISA has granted an exemption under this subsection, it may direct the offeror to include in the amendment to the prospectus or in the amended prospectus any additional details as the ISA directs, and to publish the reasons for allowing the exemption in the same manner and place of publication as apply to the amendment to the prospectus or to the amended prospectus.

**25C. Correction of clerical error in prospectus**

(Amendments: 5748, 5764(2))

If there has occurred in the prospectus a technical-linguistic error, a slip of the pen, accidental omission, typographical error, copy error, et cetera, the offeror shall submit an immediate report as prescribed in section 36(c), and shall publish the correction in the manner prescribed for a supplementary notice under section 23(c)(2) and attach a copy thereof to each copy of the prospectus.



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The Securities Law, 1968

**26. Cancellation of orders**

[Amendments: 5748, 5764(2)]

- (a) Anyone who placed an order prior to the publication of an amendment to a prospectus or of an amended prospectus may cancel the order until the end of the period for submitting orders established in the amended prospectus or in the amendment to the prospectus.
- (b) If a party cancels an order under subsection (a), the offeror must, within seven days of the day on which the offeror received notice of the cancellation, reimburse such party for any amount that the party paid on account of the securities the ordering of which had been cancelled.
- (c) If the ISA orders the publication of an amendment to the prospectus or of an amended prospectus and the offeror does not publish it, the offeror must, within seven days after the end of the period prescribed under sections 25(a) or 25A(b), whichever is relevant, reimburse to any parties who had placed orders, any amount that such parties paid on account of the securities; the offeror shall give notice to the ISA, within the aforesaid period, that the refund was made, in accordance with details prescribed in regulations.

**27. Refund of payments**

(Amendments: 5748, 5768(2))

- (a) Where the prospectus prescribes a minimum amount which the offeror expects to obtain through the offer, and orders of up to that amount are not placed within the period for the placing of orders, the offeror shall, within seven days from the expiration of the said period, refund to the parties who placed orders any amount paid by them on account of the securities.
- (b) Where the orders placed exceed the total amount of the securities offered, the offeror shall:
  - (1) Carry out the allotment in the form and manner prescribed in the prospectus;
  - (2) Publish, within seven days after the end of the period for placing orders, a notice in a newspaper pursuant to section 55B regarding the allotment as described in section (1);
  - (3) Within two business days from the date of allotment, refund to the parties all or part of whose orders were not carried out, all amounts paid by them on account of securities not allotted to them.

**28. Investment of monies received on account of orders**

(Amendment: 5748)

- (a) Monies paid by the parties who placed orders on account of the securities shall be held in a separate trust account with a banking institution and prudently invested so as to maintain the value of the principal and earn profits, until such time as the



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### The Securities Law, 1968

offeror has fulfilled its obligations under subsection (b) or until it appears that the offeror has no such obligation.

- (b) If the offeror is obligated to refund monies pursuant to sections 26 or 27, the principal shall be refunded together with all earnings accrued in the trust account described in subsection (a) through the date of the actual refund.
- (c) Notwithstanding the provisions of sub-section (a), the Minister of Finance may, with the approval of the Knesset Finance Committee, prescribe by regulations the manner in which the aforesaid monies are to be invested and the circumstances in which it is not required that the earnings be refunded.

#### **29. Liability of directors**

(Amendment: 5748)

Where the offeror has not fulfilled its obligations under sections 26(b) through 28, and the offeror is a corporation, the directors of the corporation shall be liable, jointly and severally, to the persons who placed orders, for any monies not refunded to them, with the exception of a director who took all appropriate means to ensure fulfillment of the said obligations.

#### **30. Notification regarding the results of an offer**

Within seven days after the expiration of the period for the placing of orders or after the determination of the distribution of the securities under section 27(b), the offeror shall notify the ISA, according to details prescribed in the regulations, of the results of the offer contained in the prospectus.

### **Chapter 5: Liability for Prospectus**

#### **31. Liability of signatories of prospectus**

(Amendments: 5748, 5764, 5764(2))

- (a) (1) Any party signing a prospectus pursuant to section 22 is liable to anyone who bought securities from the offeror and to anyone who sold or acquired securities in the course of trading on a stock exchange or over the counter, for damage caused to them by the inclusion of a misleading item in the prospectus.
- (2) Liability under paragraph (1) will also be imposed on anyone who was, on the date on which the board of directors approved the final wording of the prospectus, a director of the issuer, its general manager or a controlling shareholder therein.





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The Securities Law, 1968

- (b) The prescription period for a claim arising under subsection (a), with regard to which no action was filed, is two years from the date of the transaction or seven years from the date of the prospectus, whichever is the earlier.

**(c)-(d) (Repealed).**

**32. Liability of experts**

(Amendments: 5750, 5759)

Any person who has provided an opinion, report, review or certificate that was included or mentioned in the prospectus with such person's prior consent, shall be liable as provided in section 31(a) for any damage caused by the inclusion of a misleading item in such opinion, report, review or certificate, including damage caused by the inclusion of such an item in any opinion, report, review or certificate included in the prospectus by reference. The prescription period for claims based on such liability shall be as provided in section 31(b).

**32A. Liability for damage resulting from forward-looking information**

(Amendments: 5764, 5765(3))

- (a) In this section, "forward-looking information" shall mean a forecast, assessment, estimate or other information, which relates to a future event or matter whose occurrence is not certain and which is not within the control of the corporation only, with the exception of a forecast, assessment, estimate or other such information which is required to be included in financial statements, in accordance with any law, including in accordance with accepted accounting principles or reporting standards.
- (b) Liability pursuant to sections 31 and 32 shall not arise because of forward-looking information, merely because the events described in such information did not occur in whole or in part, or occurred in a different manner than was foreseen, provided that all of the following are true:
- (1) It was expressly stated in the prospectus, opinion, report, review or certificate - whichever is relevant - alongside such information, that the information is forward-looking information;
  - (2) The main facts and figures that served as a basis for the information were specified alongside such information in the prospectus, opinion, report, review or certificate - whichever is relevant.;
  - (3) Clear emphasis was placed on the main factors that are to be viewed as being likely to result in the forward-looking information not being realized.
- (c) The provisions of subsection (b) shall not apply to a party that knew that the forward-looking information would not be realized; the provisions of this subsection will not detract from the provisions of section 33.



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The Securities Law, 1968

- (d) Nothing in this section will detract from the liability imposed under sections 31 and 32 with regard to facts, figures or other details in a prospectus, opinion, report, review or certificate, as applicable, which served as a basis for forward-looking information.

**33. Negation of liability**

[Amendments: 5748, 5751, 5760, 5764, 5764(2)]

Liability under sections 31 or 32 shall not be imposed:

- (1) On any party that complied with the obligations imposed on him or her pursuant to section 25(d), and who can prove that he or she has taken all appropriate measures to ensure that the prospectus, opinion, report or certification, whichever is relevant, did not contain any misleading items, and that he or she believed in good faith that it did not contain any such items;
- (1a) On an underwriter who authorized another underwriter to take all the appropriate measures, on behalf of the authorizing underwriter as well, in order to ensure that there not be a misleading item in the prospectus, if the fulfillment of the following two conditions is proved:
- (1) The authorizing underwriter believed in good faith that there was no misleading item in the prospectus;
- (2) The underwriter who was given authority does not bear any liability pursuant to section (1);
- (2) Vis-à-vis a party regarding which it is established that the securities were purchased when the party knew or should have known that the prospectus, opinion, report or certification, whichever is relevant, contained a misleading item;
- (3) When the issuer has filed an immediate report as stated in section 36(c) in which the misleading item was amended and the issuer had published the fact of the amendment in the manner in which it published the notice concerning the prospectus pursuant to section 23(c)(2); such negation of liability applies with respect to anyone who is proved to have acquired the securities after the aforesaid publication;
- (4) On any party which delivered to the issuer a written notice with regard to a correction of the misleading item; such negation of liability applies vis-à-vis anyone who is proved to have acquired the securities after 24 hours had passed from the delivery of the notice;
- (5) On any party that did not sign the prospectus and proves that he or she did not know, nor should have known, of the publication of the prospectus.



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The Securities Law, 1968

**34. Liability of several persons**

In the event that two or more persons are liable under sections 31 through 33, their liability shall be joint and several towards the injured party; their liability to each other shall be governed by the rules applicable to liability in tort.

**34A. Prohibition of indemnification**

[Amendments: 5764(2), 5768(2)]

- (a) An underwriter shall not be indemnified regarding [liability arising from] a misleading item in a prospectus, except in accordance with the provisions of this section, and an indemnification undertaking that was made other than in accordance with the provisions of this section shall not be valid.
- (b) An underwriter may be indemnified for a liability imposed on it or for expenses that it incurred as stated in the paragraphs of section 260(a) of the Companies Law, *mutatis mutandis*, on account of the prospectus having included a misleading item.
- (c) An indemnification given in accordance with subsection (b) may be carried out in accordance with an undertaking given before the event, provided that the undertaking is for a reasonable amount that is determined and stated in the prospectus, and with regard to an undertaking given before the event for an indemnification provided by a corporation — the undertaking must be for an amount that the board of directors or any body carrying out a similar function has determined to be reasonable in the circumstances of the case.
- (d) An indemnification shall not be provided unless it is proved that the underwriter believed in good faith that there was no misleading item in the prospectus, and in addition, no indemnification shall be provided for an action that was done intentionally or recklessly.
- (e) An underwriter may indemnify another underwriter in the same offering, and the provisions of subsections (a) to (d) shall not apply to an indemnification under this subsection.
- (f) In this section, the term “indemnification” refers to indemnification that is given either directly or indirectly, and includes an agreement in advance with regard to the manner in which the liability under a judgment or a settlement will be divided, but excludes an indemnification provided by virtue of an insurance agreement.

**35. Rescinding a purchase**

(Amendment: 5748)

- (a) Any person who has purchased securities from the offeror in accordance with a prospectus and has done so in reliance on a misleading item therein, may rescind



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The Securities Law, 1968

the purchase and demand the refund of any monies paid, provided that the rescinding party acts within a reasonable time after having become aware of the fact that the item was misleading or within a reasonable time after the publication of an immediate report as provided in section 36(c) in which the misleading item was amended, and not later than two years after the purchase.

- (b) The right of rescission pursuant to subsection (a) shall also apply also if the issuer is in liquidation.

**Chapter 5A:**  
**Trust for Certificates of Indebtedness**  
(Amendment: 5748)

**35A. Definitions**  
(Amendments: 5748, 5759)

“**Certificates of indebtedness**”- certificates issued in series by a company, cooperative society or any other corporation and conferring the right to claim from a corporation, as aforesaid, money, on a predetermined date or upon the fulfillment of any term, but not conferring a right of membership or participation in the said corporation, and any certificate as aforesaid that may be converted into shares or securities conferring the right to purchase certificates as aforesaid, but excluding certificates issued by the State or by a special law, and excluding commercial paper;

**35B. Obligation to appoint a trustee**  
(Amendment: 5748)

- (a) A person may not offer certificates of indebtedness to the public unless a trustee has been appointed for the holders of the said certificates; the trustee shall be appointed by way of a trust deed executed between the issuer and the trustee.
- (b) The provisions of the Law of Trusteeship shall apply to the trust under this article, unless otherwise stated, provided that for purposes of section 11 of the Law of Trusteeship, the parties may not stipulate the non-application of the provisions of sections 3(c), 7, 9(a) and 10(d) of the said Law..

**35C Trust company**  
(Amendment: 5748)

The trustee must be a company registered in Israel whose main purpose is to engage in trusteeship (hereinafter — trust company).



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The Securities Law, 1968

**35D. Equity**

(Amendment: 5748)

- (a) The equity of a trust company shall not be less than an amount or a percentage of the value of the certificates of indebtedness, as shall be prescribed by the Minister of Finance in regulations approved by the Knesset Finance Committee.
- (b) The Minister of Finance may, upon consultation with the ISA and with the approval of the Knesset Finance Committee, prescribe regulations with regard to:
  - (1) The manner in which all or part of the equity shall be invested;
  - (2) A report which a trust company shall submit to the ISA in regard to the investment of its equity and any alterations of the same, the details to be included in the report, the form thereof, the period to be covered by the report and the times for a report's preparation and for the submission thereof.

**35E. Restrictions in regard to appointment of trustee**

(Amendment: 5748)

A company shall not be competent to serve as a trustee in any of the following instances:

- (1) A director or manager of the company is a director or manager of the issuer, or of its parent company or associated company;
- (2) If, under the circumstances, a conflict of interest may arise between the company, its parent company or associated company and the holders of the certificates of indebtedness;
- (3) An order of liquidation has been issued against the company, or if the court has appointed a receiver or a managing receiver for the company;
- (4) The company or a director or manager thereof has been convicted of a crime reflecting on their trustworthiness.

**35F. Trust deed**

(Amendment: 5748)

- (a) A trust deed shall include, *inter alia*, the following items:
  - (1) The total amount of the obligations undertaken by the issuer by virtue of the certificate of indebtedness, and if they are secured by a pledge on property, a guarantee or any other obligation - a description of the pledged property, guarantee or other obligation, and the circumstances in which the same may be realized;
  - (2) The means for releasing or substituting a pledge, guarantee or other obligation granted for purposes of securing the obligations of the issuer under the certificate of indebtedness;
  - (3) The conditions and circumstances under which the trustee may claim the immediate repayment of the amount owing by virtue of the certificate of



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### The Securities Law, 1968

indebtedness, or may realize pledges, guarantees or other obligations granted for purposes of securing the obligations of the issuer pursuant to the certificates of indebtedness;

- (4) The duty of the trustee to convene meetings of the holders of certificates of indebtedness, the times thereof, the manner in which the meetings shall be conducted and the manner of adopting resolutions therein;
  - (5) The fees to be paid to the trustee, set out as a specific amount or as a percentage of the amount of the obligations [created] pursuant to the certificates of indebtedness, and the time for the payment of such fees.
- (b) The Minister of Finance, after consultation with the ISA and with the approval of the Knesset Finance Committee, may prescribe by regulations additional items to be included in the trust deed.

### **35G. Amendment of the trust deed**

(Amendment: 5748)

The trust deed shall not be amended unless the following conditions are fulfilled:

- (1) The trustee is persuaded that the amendment is not injurious to the holders of the certificates of indebtedness;
- (2) The holders of the certificates of indebtedness have agreed to the amendment by way of special resolution passed at a general meeting at which the holders of at least fifty per cent of the balance of the nominal value of the certificates of indebtedness of the affected series were present, or at a deferred meeting in at which at least the holders of ten percent of the said balance were present.

### **35H Duties of the trustee**

(Amendment: 5748)

- (a) The trustee shall act in a manner beneficial to all the holders of the certificates of indebtedness.
- (b) The trustee shall take all appropriate measures, prior to the payment of any monies on account of the certificates of indebtedness, to ensure the validity of any pledge, guarantee or other commitment granted by the issuer or by any third party for the purpose of securing the obligations of the issuer towards the holders of the certificates of indebtedness; the trustee will be responsible to the holders of the certificates of indebtedness to ensure that the aforesaid items are fully and accurately described in the prospectus pursuant to which the certificates of indebtedness were offered.
- (c) If the trustee becomes aware of a material breach of the trust deed by the issuer, the trustee shall notify the holders of the certificates of indebtedness of the said



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The Securities Law, 1968

breach and inform them as to the measures the trustee has taken to prevent the same, or for purposes of fulfilling the obligations of the issuer, as the case may be.

- (d) The trustee shall participate, without voting rights, in all general meetings of the issuer.
- (e) The trustee shall inform the holders of the certificates of indebtedness of the time and place where the annual report regarding the trust's affairs may be reviewed; upon request, the trustee shall send a copy of the said report to the holders of the certificates of indebtedness; the Minister of Finance may, after consultation with the ISA, stipulate in regulations the items to be included by the trustee in the said report.
- (f) A notice from the trustee to the holders of the certificates of indebtedness may be delivered through its publication in at least two widely circulated daily newspapers which are published in Israel in the Hebrew Language.

**35I. Representation by the trustee**

(Amendment: 5748)

The trustee shall represent the holders of the certificates of indebtedness on all matters pertaining to the issuer's obligations towards them.

**35J Issuer's report to the trustee**

(Amendment: 5748)

- (a) The issuer shall submit to the trustee a copy of any report that the trustee is obligated to submit to the ISA and on the same day as such report is submitted to the ISA, and the issuer must likewise provide the trustee with a copy of any document submitted by the issuer to its shareholders or to the holders of the certificates of indebtedness and with the details of all information delivered in any other manner to such shareholders or certificate holders; likewise, the issuer shall submit to the trustee any additional information upon the trustee's reasonable demand.
- (b) The issuer shall notify the trustee, at such time as shall be prescribed by the Minister of Finance in regulations, regarding any property pledged and any undertakings given for purposes of securing the rights of the holders of the certificates of indebtedness.



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The Securities Law, 1968

**35K Prohibition against acquisition and holding of certificates of indebtedness by the trustee**

(Amendment: 5748)

A trustee shall not acquire nor shall it hold for itself any certificates of indebtedness of the series for which it serves as a trustee, nor shall it hold for itself any securities of the issuer or of its parent company, subsidiary or associate.

**35L. Restriction on securities transactions**

(Amendment: 5748)

A trustee shall not carry out, for the account of any person from whom it possesses power of attorney to act at its discretion, any transaction involving the securities that are the subject of the trust..

**35M Validity of actions**

(Amendment: 5748)

The actions of the trustee shall be valid regardless of any fault discovered in regard to its appointment or regarding its qualifications.

**35N Termination of office of the trustee**

(Amendment: 5748)

- (a) The office of the trustee shall terminate when -
  - (1) The terms prescribed in section 35C cease to exist;
  - (2) The equity of the trustee falls below the minimum required under section 35D (a);
  - (3) One of the situations listed in section 35E has arisen.
- (b) A trustee may resign by submitting written notice to the person who appointed the trustee; resignation of a trustee shall not take effect until approved by the court and until the date established for such in the approval.
- (c) The court may remove a trustee from office if the trustee has not adequately fulfilled its obligations, or for other reasons as shall be found by the court.
- (d) The holders of ten percent of the outstanding nominal value of the certificates of indebtedness of a particular series may convene a general meeting of the said certificate holders; such a meeting may, with the votes of the holders of at least fifty percent of the outstanding nominal value of the certificates of indebtedness of the series, resolve to remove a trustee from office.
- (e) The office of a trustee having terminated, the court may appoint another in its stead for such term and under such conditions as the court shall see fit; a trustee





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The Securities Law, 1968

whose office has been terminated shall continue in office until the appointment of another trustee in its stead.

- (f) The trustee and the issuer shall submit to the ISA an immediate report as provided in section 36(c) in regard to any of the events listed in subsections (a) through (e).
- (g) The ISA may also apply to a court pursuant to this section.

**35O. Appearance of the ISA courting legal proceedings**

(Amendment: 5748)

- (a) If a trustee for certificates of indebtedness has applied to the court, or in the event that any other person has applied to the court in a proceeding to which the said trustee is a party, the trustee shall inform the ISA and the stock exchange to that effect in writing.
- (b) If, in the opinion of the Chairman of the ISA, any legal proceeding has, or is likely to have, any bearing or influence on the interests of the holders of certificates of indebtedness of any particular series, the Chairman may appear at the said proceedings and be heard.

**35P Offer of securities by the state**

(Amendment: 5760(2))

The provisions of Chapters 3, 4, 5 and 5A shall apply to offers to the public of securities which are held by the State.

**Chapter 5C:  
Securities Listed for Trade on a Foreign Stock Exchange**

**35Q Listing securities of a foreign corporation for trade**

(Amendment: 5760(3))

The listing for trade of securities of a foreign corporation on a stock exchange may be carried out by virtue of a registration document in accordance with the provisions of this Chapter, if the securities that the corporation seeks to have listed are listed for trade on a foreign stock exchange and have been so listed for the period of time prescribed by the Minister of Finance; the Minister of Finance may prescribe various periods or no period, depending on the foreign stock exchange, or according to the value of the securities of the corporation

**35R. Stock exchanges listed in the Third Schedule**

(Amendment: 5760(3))

The Minister of Finance may, in accordance with an ISA proposal or in consultation with the ISA, and with the approval of the Knesset Finance Committee prescribe in the Third



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### The Securities Law, 1968

Schedule a foreign stock exchange not listed in the Second Schedule, if the Minister is satisfied that the rules of the foreign exchange and the law applying to corporations that are incorporated in Israel and whose securities are listed for trade on such foreign exchange, together with the additional details included in the registration document in accordance with the provisions of section 35T(a)(2), are sufficient to meet the needs of the investing public in Israel.

#### **35S. Amendments to schedules**

(Amendment: 5760(3), 5768(2))

- (a) The Minister of Finance may, in accordance with an ISA proposal or after consulting with the ISA, and with the approval of the Knesset Finance Committee, delete a foreign stock exchange from the Second or Third Schedule, if the Minister finds that following a substantial change, the rules or the law applicable to corporations incorporated in Israel whose securities are listed for trade on the said foreign stock exchange, are no longer sufficient to satisfy the needs of the investing public in Israel.
- (b) Without detracting from the provisions of sub-section (a), the Minister, in accordance with an ISA proposal or after consulting with the ISA, may amend, in an order, the Second and Third Schedules, provided that the amendment is a name change prescribed by a stock exchange, a foreign exchange, a trade listing or a regulated market, or the amendment is a split or merger of trading lists that a stock exchange, a foreign exchange, or a regulated market has announced.

#### **35T. Registration document**

(Amendment: 5760(3))

- (a) The Minister of Finance shall, in accordance with an ISA proposal or after consulting with the ISA, and with the approval of the Knesset Finance Committee, enact regulations in regard to the structure and form of the registration document, and with regard to the identifying details of the foreign corporation, its securities and the holders of the same which shall be included therein; in addition, the regulations shall prescribe that the following be included in the registration document:
  - (1) In regard to foreign corporations listed for trade on a foreign stock exchange listed in the Second Schedule – documents that the corporation is obligated to publish or submit according to the foreign law, and documents published by the corporation;
  - (2) In regard to foreign corporations listed for trade on a foreign stock exchange listed in the Third Schedule – the documents listed in section (1) and additional particulars as shall be prescribed; regulations enacted by virtue of this section may be established according to types of securities, foreign stock exchanges, foreign corporations, or any other category.



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The Securities Law, 1968

- (b) The registration document shall be signed by the foreign corporation and dated not earlier than one day before the date of its publication.

**35U. Exemption from disclosure**

(Amendment: 5760(3))

The provisions of section 36C shall apply, *mutatis mutandis*, with regard to any detail included in the registration document by virtue of this Chapter, which is not required by the foreign law.

**35V. Publication of registration document**

(Amendment: 5760(3), 5768(2))

- (a) The foreign corporation shall deliver the registration document to the ISA, the Registrar and to the stock exchange, and shall, within one business day of the date of the document's submission, publish a notice of such pursuant to section 55B.
- (b) The ISA may instruct the foreign corporation to distribute copies of the registration document to such places and in such quantity as the ISA shall order.
- (c) Repealed.

**35W. Date of registration for trade**

(Amendment: 5760(3))

- (a) Securities that are offered pursuant to the registration document shall be listed for trade on a stock exchange on a date that will not be earlier than the third trading day after the date on which the registration document is filed as described in section 35V(a), and no later than a month from the date of such filing.
- (b) If, during the period stated in subsection (a), the foreign corporation was required to submit reports or notices under section 35EE, if its securities were listed for trade on a stock exchange during the said period, such documents shall also be submitted no later than the date on which the trading of the corporation's securities on a stock exchange commences.

**35X. Authority to issue instructions regarding the supplementation of items**

(Amendment: 5760(3))

- (a) A foreign corporation shall submit to the ISA in writing, following a request for such from the ISA or from an employee authorized by the ISA to make such a request and within the time stipulated, any explanation, detail, information or document with respect to any item included in a registration document or which is required pursuant to the foreign law; the ISA or an employee so designated may address a request to any authority charged with supervision or the enforcement of the foreign law, prior to addressing the said foreign corporation.



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The Securities Law, 1968

- (b) The ISA or any employee designated for this purpose may, after having first given the foreign corporation an opportunity to be heard, order the foreign corporation to submit an immediate report amending the registration document, if it is of the opinion that the details included in the registration document were not in accordance with the provisions of the foreign law; the ISA or the employee so designated may address a request to any authority charged with supervision or the enforcement of the foreign law, prior to addressing the foreign corporation itself as aforesaid.
- (c) The provisions of section 36(h), 38 and 38(a) shall apply, *mutatis mutandis*, to the provisions of subsection (b).

**35Y. (Repealed)**

[Amendment: 5764]

**35Z Stay of proceedings in Israel**

(Amendments: 5760(3), 5768(2))

At the request of any litigant in a suit brought in an Israeli court for a cause of action arising in connection with the securities of a foreign corporation, the court may stay the proceedings if it is satisfied that a suit has been brought in a foreign court regarding the same or a similar cause of action, until a final ruling – which is not subject to appeal – has been rendered in that suit; for this purpose, the term “a connection with the securities” shall have the same meaning as the term is given in item 5 of the Second Schedule of the Class Actions Law, 5766- 2006.

**35AA. De-listing**

(Amendment: 5760(3))

- (a) If, within a year of having been listed on a stock exchange, the securities of a foreign corporation have been delisted from a foreign stock exchange, the same shall also be delisted from the stock exchange two months after the delisting from the foreign exchange, unless the corporation has published, during the said two months, a prospectus under which the said securities shall be listed for trade on an stock exchange.
- (b) If the securities of a corporation were delisted as aforesaid in subsection (a), and the securities are still in the hands of the public, the provisions of Chapter 6 shall apply to the corporation.

**35BB. Delisting at request of the foreign corporation**

(Amendment: 5760(3), 5768(2))

- (a) A foreign corporation may request that its securities be delisted from a[n Israeli] stock exchange, provided that notice of its intention to do so was submitted by



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### The Securities Law, 1968

- way of an immediate report at least three months prior to the requested delisting date as aforesaid, and such a corporation shall, within one business day of the date of submitting the immediate report, publish a notice in a newspaper pursuant to section 55B.
- (b) The provisions of this section shall apply so long as the securities of the corporation are listed for trade on the foreign stock exchange, and as long as trading of the same has not been suspended and as long as the foreign stock exchange has not announced its intention to suspend the trading of or to delist the securities.
  - (c) Notwithstanding the provisions in section 35EE, from the day of delisting of a foreign corporation from a stock exchange by notice as described in subsection (a), the said corporation shall not be subject to any reporting obligations pursuant to this law.

#### **35CC. Prospectus of a corporation incorporated in Israel whose securities are traded on a foreign stock exchange**

(Amendment: 5760(3))

- (a) The ISA may exempt a corporation incorporated in Israel, the securities of which are being offered to the public in Israel, from any or all of the provisions relating to the information to be contained in a prospectus, [or to] its structure and its form, if the securities of the said corporation are listed for trade on a foreign stock exchange or shall be listed thereupon immediately following the publication of the prospectus, so long as the ISA is satisfied that it is correct to grant such an exemption under the circumstances, and it may subject the exemption to any conditions, including regarding the matter specified in subsection (b).
- (b) A corporation that has published a prospectus as stated in subsection (a), and which prior to such publication was not subject to the reporting obligations under this Law, shall submit reports in accordance with this Chapter or with Chapter 6, for as long as its securities are listed for trade on a foreign stock exchange.
- (c) In this section – the term “an offer to the public” will exclude the listing of securities for trade in accordance with this Chapter.

#### **35DD Corporations incorporated outside of Israel whose securities are listed on an exchange outside of Israel**

(Amendments: 5760(3), 5770(3))

- (a) In this section –

“Exchange outside of Israel” – a securities exchange, regulated market or trading list for any of these, which is not located in Israel, including a foreign stock exchange.



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The Securities Law, 1968

- “Foreign authority” – as defined in section 54K1.
- (b) The provisions of this Chapter that apply to a foreign corporation whose securities are listed for trading on a foreign stock exchange which is listed in the Third Schedule will apply, *mutatis mutandi*, to a corporation which was incorporated outside of Israel, whose securities are listed for trading on an exchange outside of Israel or which will be listed on such an exchange at the same time as their public offering in Israel, and which seeks to have the said securities listed for trading on a stock exchange, if all of the following conditions are met:
- (1) The ISA and the foreign authority in the country in which the corporation was incorporated have signed an agreement dealing with mutual recognition of the equivalence of the laws and directives applicable in the State of Israel and in the said country of incorporation, with respect to regulation, control and enforcement regarding the capital market (in this section – a recognition agreement);
  - (2) The characteristics listed in Schedule 3-B are true of the corporation and of the securities whose listing is sought, including the characteristics concerning the country in which the corporation was incorporated, the exchange outside of Israel in which the securities are listed or in which they will be listed, and the type of securities.
- (c) Notwithstanding the provisions of sub-section (b), the ISA may, when justifying circumstances are present, stipulate the fulfillment of additional conditions for the application of the provisions of this chapter to a specific corporation regarding which the content of sub-section (b) is true.
- (d) (1) The Minister of Finance, at the recommendation of the ISA or in consultation with it and with the approval of the Knesset Finance Committee, may amend Schedule 3-B through an order, provided that it does not add characteristics or details to the said schedule unless it has found that the law and provisions applicable to the public offering of securities that are added to the regime established in sub-section (b) because of such addition of characteristics or details, along with the details included in the listing document as specified in section (3)(2), are sufficient to secure the interest of the investing public in Israel.
- (2) Without detracting from the provisions of paragraph (1), the Minister of Finance may, at the recommendation of the ISA or in consultation with it, may amend Schedule 3-B through an order, provided that the amendment deals with a change of name established by an exchange outside of Israel or with a split or merger of a trading list which is an exchange outside of Israel, regarding which the exchange outside of Israel has given notification.



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The Securities Law, 1968

- (e) The ISA may determine that any or all of the provisions of this Chapter shall apply to a corporation incorporated outside of Israel whose securities are listed on a foreign stock exchange, and which seeks to have these securities listed for trade on a stock exchange, provided that no recognition agreement has been signed by the ISA and the foreign authority in the country in which the corporation was incorporated; the ISA may prescribe conditions for such application of these provisions.

**35EE Reporting duties of foreign corporation**

(Amendments: 5760(3), 5763)

- (a) A foreign corporation whose securities were listed for trade on the stock exchange in accordance with a registration document, and which, prior to the listing for trade, was not subject to reporting duties under this law, must submit to the ISA and the [relevant Israeli] stock exchange reports or notices as required pursuant to this Chapter, as long as its securities are held by the public.
- (b) A foreign corporation described in subsection (a) shall not be subject to the provisions of Chapter 6 and the regulations enacted pursuant to section 56(d)(2) and (3), except for sections 36C, 38 and 38A which shall apply, *mutatis mutandis*.
- (c) The Minister of Finance shall, in accordance with an ISA proposal or after consulting with the ISA, and with the approval of the Knesset Finance Committee, enact regulations in regard to reports and notices by a corporation described in subsection (a), and in regard to their form and the dates for their preparation and submission, all including the matters stated in section 56(d)(2) and (3); regulations enacted pursuant to this section shall determine:
- (1) With regard to corporations described in subsection (a), the securities of which are listed for trade on a foreign stock exchange specified in the Second Schedule - the documents that the corporation is required to publish or to file pursuant to the foreign law and as well as identifying particulars relating to the corporation, its securities and the holders of its securities which are to be included in a report or notice;
  - (2) With regard to corporations described in subsection (a), the securities of which are listed for trade on a foreign stock exchange listed in the Third Schedule – the documents and particulars listed in section (1), and additional particulars prescribed and which are to be included in reports or notices; regulations enacted pursuant to this section may be of a general nature or may relate to particular categories of securities, foreign stock exchanges, foreign corporations or may relate to any other classification..



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The Securities Law, 1968

- (d) Following a request for such from the ISA or from an employee authorized by the ISA to make such a request, a corporation described in subsection (a) shall submit any immediate report which it is required to submit pursuant to the foreign law.
- (e) The ISA or any employee designated for such purpose may, after having first given the corporation an opportunity to be heard, order the corporation to submit an immediate report amending any report or notice submitted under this Chapter, if the ISA or such employee is of the opinion that the details included in the report or notice that was filed were not in accordance with the provisions of this section 35EE; the ISA may address a request to any authority charged with supervision or the enforcement of the foreign law, in any matter concerning the aforesaid, before addressing a request to the said foreign corporation.
- (f) If the ISA or the ISA's Chairman is convinced that a corporation is unable to file a report or notice required pursuant to this Chapter at the time prescribed by regulations, the day or time for such filing may be postponed.

**35FF. Transfer from one reporting regime to another**

(Amendment: 5760(3))

- (a) A corporation whose securities that are listed for trade on both an stock exchange and are also listed for trade on a foreign stock exchange, and which reports in accordance with the provisions of Chapter 6, may change its reporting obligations to the reporting regime established in this Chapter, provided that its securities are still listed for trade on a foreign stock exchange.
- (b) A corporation reporting in accordance with the provisions of this Chapter may change its obligations to the reporting regime established in Chapter 6.
- (c) A transfer as described in subsections (a) and (b) requires the consent of the majority of the security holders, excluding the controlling shareholders in the corporation, participating in a vote at a general meeting of all the classes of security holders, convened by the corporation for this purpose.

**35GG Change of reporting regime**

(Amendment: 5760(3))

Upon changing from one reporting regime to another in accordance with section 35FF, the corporation shall submit to the ISA and to the stock exchange, and if incorporated in Israel - to the Registrar as well - in the form prescribed by the regime to which it changed:

- (1) An immediate report within the time prescribed by the ISA;
- (2) A periodic report for the last reporting year prior to the date of the change;
- (3) Interim reports following the periodic report as stated in section (2).





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The Securities Law, 1968

**Chapter 5D:  
Special Securities**  
(Amendment: 5768(3))

**35HH. Public Offer of Special Securities<sup>4</sup>**  
(Amendments: 5765(3), 5768(3))

- (a) In this Chapter, the term "special securities" shall mean securities issued by the World Bank or by the European Investments Bank and which do not bestow participating or membership rights in the World Bank or in the European Investments Bank, whichever is relevant, and are not subject to conversion or realization into securities bestowing the aforesaid right.
- (b) A public offer of special securities to the public may be made according to a public offer instrument in accordance with the provisions of this Chapter ((hereinafter in this Chapter – "public offer instrument")).
- (c) The provisions of Chapter 5A, shall not apply to a public offer of special securities according to this Chapter.

**35II. Public offer instrument<sup>4</sup>**  
(Amendment: 5765(3))

- (a) The Minister of Finance, in accordance with an ISA proposal or after consultation with the ISA, and with the approval of the Knesset Finance Committee, shall enact regulations regarding the form and structure of the public offer instrument and regarding details and documents that are to be included in it, and may also enact different rules regarding different types of public offers.
- (b) A public offer instrument shall be signed by the special securities issuer and be dated not earlier than one day before the date of its publication.
- (c) A public offer instrument shall be subject to the provisions of section 35V, *mutatis mutandis*, as well as the provisions of the sections described below, as relevant, *mutatis mutandis*:
  - (1) Regarding a public offer of special securities by means of the listing of such securities for trade on the stock exchange only – the provisions of section 35W;
  - (2) Regarding a public offer of special securities other than as described in subsection (1) - the provisions of section 24.

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<sup>4</sup> This section shall enter into effect upon the entry into effect of regulations enacted pursuant to sections 35II(a) and 35KK(c). The 2008 Amendment (No. 3), regarding the European Investments Bank, shall enter into effect upon the entry into effect of regulations regarding the European Investments Bank, which shall be enacted pursuant to the said sections.



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The Securities Law, 1968

**35JJ. Authority to issue instructions regarding the supplementation of items<sup>5</sup>**  
(Amendment: 5765(3))

Following a request for such from the ISA or from an employee authorized by the ISA to make such a request, an issuer of special securities shall submit to the ISA in writing - within the prescribed period - any explanation, details, knowledge or documents regarding items included in the public offer instrument .

**35KK Reporting obligations of the special securities issuer<sup>5</sup>**  
(Amendment: 5765(3))

- (a) An issuer of special securities which offers such securities to the public pursuant to this Chapter must submit reports, notices or documents in accordance with this Chapter to the ISA and to the [relevant] stock exchange, for as long as such special securities are held by the public, traded on a stock exchange or are listed for trade on a stock exchange.
- (b) The issuer, as stated in subsection (a), shall not be subject to the provisions of Chapter 6 or the regulations enacted pursuant to section 56(d), excluding section 38A, which will apply *mutatis mutandis*.
- (c) The Minister of Finance, in accordance with an ISA proposal or after consultation with the ISA, and with the approval of the Knesset Finance Committee, shall enact regulations regarding reports, notices, or documents that an issuer described in subsection (a) is required to submit pursuant to the same sub-section, as well as regarding their form, the dates for their preparation and submission, and the details or documents that are to be included in them; the Minister may also prescribe different provisions for different types of public offers.

**35LL Liability of the special securities issuer<sup>5</sup>**  
(Amendment: 5765(3))

- (a) The provisions of sections 31 through 34 shall apply, as relevant and *mutatis mutandis*, to the issuer of special securities with regard to a misleading item in a public offer instrument, report, notice or document submitted pursuant to this Chapter.
- (b) The liability imposed pursuant to the aforesaid sections and pursuant to subsection (a) and pursuant to section 52K(a) shall not apply to a director of an issuer of the special securities, to its general manager or to its controlling shareholder.

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<sup>5</sup> This section shall enter into effect upon the entry into effect of regulations enacted pursuant to sections 35II(a) and 35KK(c).



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The Securities Law, 1968

**Chapter 6:  
Ongoing Reporting**

**36. Reporting duty of corporations**

(Amendments: 5748, 5751, 5759(2), 5760, 5763)

- (a) A corporation whose securities have been offered to the public pursuant to a prospectus is required to submit reports or notices to the ISA pursuant to this Chapter for as long as its securities are held by the public; a corporation whose securities are traded on a stock exchange or listed for trade thereon is required to submit reports or notices pursuant to this Chapter to the ISA and to the stock exchange.
- (a1) Repealed
- (b) The Minister of Finance shall, according to an ISA proposal or after consultation with the ISA, and with the approval of the Knesset Finance Committee, enact regulations with regard to the items to be included in the said reports or notices, their form, the dates for their preparation and for their submission, including information which is presented on the basis of being to the best of the knowledge of the corporation's directors, that must be included in the said reports or notices .
- (c) Regulations enacted pursuant to this section shall relate to every matter which, in the opinion of the Minister of Finance, is of importance to a reasonable investor considering the purchase or sale of the securities of the corporation, and may relate to any of the matters specified in section 17(b), and shall require, in addition to a periodic report, an immediate report regarding specific occurrences.
- (d) The Minister of Finance may enact regulations under this section either generally or for specific types of corporations or of securities or according to any other classification.
- (e) A corporation, as aforesaid in subsection (a), shall submit to the ISA, upon special demand of the ISA or of an employee authorized for this purpose, and within the period stated in the demand, such period being no less than the period prescribed in regulations under subsection (b), an immediate report on any event or matter if, in their opinion, information regarding the same is of importance to a reasonable investor considering the purchase or sale of securities of the company;
- (f) A corporation as described in subsection (a) shall, upon the request of the ISA or of any employee authorized for this purpose -
  - (1) Submit to the ISA in writing, within the period prescribed in the request, any explanation, detail, information or document with respect to any item included in a report or notice submitted pursuant to this Chapter;



The Securities Law, 1968

- (2) Submit to the ISA an amendment to any report or notice submitted pursuant to this Chapter, within the period prescribed in the request, if they have become aware that such report or notice was not submitted in accordance with the provisions of this section, or if the items submitted by virtue of section (1) require such amendment;
- (g) The ISA may, after having first given the corporation an opportunity to be heard, order the corporation described in subsection (a) to submit, within a specified period -
  - (1) A report which includes an opinion in addition to an opinion originally included in such report, if the ISA is of the opinion that the original report was not submitted in accordance with the provisions of this section, or if the items submitted in accordance with subsection (f) require such an order;
  - (2) Financial reports, an accountant's opinion or a review by an accountant who audited or reviewed the same or by another auditor, to replace those included in the original report submitted to the ISA, if the ISA has become aware that those were not prepared in accordance with generally accepted accounting principles and generally accepted reporting standards and do not adequately reflect the state of affairs of the corporation in accordance with the principles and standards as aforesaid.
- (h) If the ISA or an employee authorized for this purpose is convinced that a corporation is unable to submit a report or notice pursuant to this Chapter within the time prescribed by regulations, the time for such submission may be extended.

**36A. Authority to prescribe the manner of presentation of items**

(Amendment: 5748)

- (a) If the ISA is of the opinion that such action is necessary for purposes of protecting the interests of the public investing in the securities of a particular corporation, the ISA may instruct the corporation as to the manner in which an item shall be presented in the financial statements, in a periodic report or in an immediate report, provided that the regulations enacted pursuant to sections 17 or 36, the generally accepted accounting principles or the generally accepted reporting standards do not already prescribe the manner in which such item is to be presented.
- (b) If the ISA is of the opinion that such action is necessary for purposes of protecting the interests of the public investing in the securities the ISA may issue directives regarding the manner of presentation of items in statements and reports described in subsection (a); such directives shall be published in a manner determined by the Chairman of the ISA.



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The Securities Law, 1968

- (c) Directives issued pursuant to subsection (b) shall be in effect for a period of one year commencing from the date of their publication, unless provisions regarding the same matter are included in regulations enacted pursuant to sections 17 or 36 or in the generally accepted accounting principles or the generally accepted reporting standards prior to that time; the ISA may, with the approval of the Minister of Finance, extend the duration of the aforesaid directives for a period not exceeding one year.
- (d) If the ISA issues an order pursuant to subsection (a) to more than one corporation, the order shall be issued as a directive under subsection (b) within sixty days.
- (e) Before issuing directives as aforesaid in subsection (b) and before extending the force of the same pursuant to subsection (c), the ISA shall allow the President of the Israel Institute of Certified Public Accountants an appropriate opportunity to be heard, and while the said directives are in effect, the Israel Institute of Certified Public Accountants may publish an opinion with regard to the same only with the consent of the ISA.

**36B Duty of guarantor to report**

(Amendment: 5748)

The provisions of this Chapter shall apply, *mutatis mutandis*, to a corporation guaranteeing obligations pursuant to the terms of certificates of indebtedness as defined in section 35A, and whose financial reports were included in the prospectus pursuant to which such certificates of indebtedness were offered to the public, as long as the guarantee remains in effect.

**36C. Exemption from reporting**

(Amendments: 5748, 5770 (5))

- (a) The ISA may exempt a corporation from disclosing any item in a report under this Chapter, if it is of the opinion that the conditions listed in section 19(a)(1) have been met, *mutatis mutandis*.
- (b) The Court may exempt a corporation from disclosing any item in a report under this Chapter, if it is of the opinion that the conditions listed in section 19(a)(2) have been met, *mutatis mutandis*; the Attorney-General shall be the respondent in a petition brought pursuant to this subsection.
- (c) If an exemption has been granted under this section, the same shall be stated in the report.



The Securities Law, 1968

**37. Duty of a principal shareholder or of a senior corporate officer to give notice**  
(Amendments: 5741, 5748, 5760, 5768(2))

- (a) Where regulations under section 36 require a corporation to disclose in its reports details of its securities which are held by a principal shareholder or by a senior corporate officer therein, or other details concerning the said principal shareholder or senior corporate officer, including changes in such holdings, the said principal shareholder or senior corporate officer shall submit to the corporation a notice providing such details and within such period so as to enable the corporation to fulfill its obligations as aforesaid; where the said securities are held by a trustee and the said trustee has submitted a notice under this subsection, the holder shall be exempt from submitting the said notice; if the holder has submitted the notice, the trustee shall be exempt.
- (b) The provisions of subsection (a) in respect of the notice shall apply likewise to a person who has ceased to be a principal shareholder or a senior corporate officer, with regard to the event by virtue of which such person has ceased to be a principal shareholder or a senior corporate officer.
- (c) A notice provided pursuant to this section shall be in writing, shall be signed by the principal shareholder or senior corporate officer or by the person who has ceased to be a principal shareholder or senior corporate officer, and shall be submitted to the corporation within the time limit prescribed by the Minister of Finance in accordance with an ISA proposal or after consultation with the ISA, and with the approval of the Knesset Finance Committee.
- (d) In this Chapter, “senior corporate officer” shall mean – a corporate officer, as defined in the Companies Law, and the chairman of the board of directors, an substitute director, a person appointed pursuant to section 236 of the Companies Law by the corporation who serves as a director, the comptroller, the internal auditor, an independent authorized signatory, or any party holding any such position even if such person’s title is different, and a senior corporate officer in a corporation controlled by the corporation, who has substantial influence over the corporation, and any individual employed by the corporation in a different position who holds five percent or more of the nominal value of the issued share capital or of the voting power. For this purpose -

“Independent authorized signatory” shall mean an authorized signatory who has the power to bind the corporation, for the purpose of a particular act, without requiring the signature of an additional party within the corporation;

“Authorized signatory” – a party authorized to bind the corporation or to bind a corporation under the control of the corporation which is not a reporting corporation and which is not a corporation to which the provisions of Chapter 5C apply (hereinafter: “a Controlled Corporation”), and a party in a Controlled Corporation who is authorized to bind the Controlled Corporation regarding an amount exceeding five percent of the corporation’s balance sheet assets according



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### The Securities Law, 1968

to its last audited financial statements; two or more authorized signatories who are relatives shall be deemed to be a single authorized signatory;

“Binding obligation” –excluding payments of taxes, municipal property taxes, or other obligatory payments which can be collected pursuant to the Tax Ordinance (Collection), and excluding an act recorded on the books of the corporation or on the books of a Controlled Corporation, dealing with the purchase or sale of securities, deposits, foreign currency or financial assets as defined in the Advice Law.

#### **38. Court order to submit a report**

(Amendments: 5748, 5760, 5768(2), 5770(5))

- (a) If a corporation has not submitted a report pursuant to this Chapter at the prescribed time, or has not submitted the same in accordance with the provisions of section 36 or of section 36A, or has not amended the same within the time prescribed by the ISA or by a designated employee, or did not submit an explanation, detail, information or document with regard to items included in a report or notice in accordance with section 36, or has not submitted an additional or other opinion as ordered by the ISA, the Court may, upon an application by the ISA, order the corporation and its directors to submit the report, or to amend the same or to submit an additional or other opinion within the time prescribed by the Court, and, if necessary, it may order a principal shareholder or senior corporate officer to submit to the corporation a notice pursuant to section 37.
- (b) If a principal shareholder has not submitted a notice under section 37 or has submitted a notice which is not in accordance with the provisions of that section, the Court may, upon an application by the corporation, order the said principal shareholder or senior corporate officer to submit or amend the notice within the time prescribed by the Court.

#### **38A An order to suspend trade**

(Amendment: 5748)

- (a) Where a corporation has done any of the following:
  - (1) Has failed to submit a report or notice pursuant to this Chapter within the prescribed time;
  - (2) Has submitted a report or notice which does not comply with the provisions of sections 36, 36A or 37, provided that the ISA is convinced that the irregularity is of a material nature — the ISA may, after consultation with the chairman of the stock exchange and after having granting the corporation sufficient opportunity to be heard, order the stock exchange to suspend trading of the securities of the aforesaid corporation.



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The Securities Law, 1968

- (b) If the said report or notice has been subsequently submitted to the satisfaction of the ISA, the ISA shall instruct the stock exchange to resume the trading of the securities of the said corporation.
- (c) The provisions of subsection (a) shall not be construed as derogating from the powers of the stock exchange to suspend securities trading in accordance with its bylaws.

**38B. Civil liability of principal shareholders or of senior corporate officer**

(Amendments: 5748, 5768(2))

The provisions of sections 31 through 34 shall apply, *mutatis mutandis*, to a principal shareholder or to a senior corporate officer who has submitted a report or notice pursuant to sections 36, 36A or 37, vis-à-vis a party holding the corporation's securities..

**38C. Liability for damage on account of a misleading item in a report, notice or document**

(Amendment: 5764)

- (a) The provisions of sections 31 to 34 shall apply, as applicable and *mutatis mutandis*:
  - (1) To a corporation, a director of a corporation, its general manager or a controlling shareholder therein - with regard to a misleading item that was in a report, notice or document that the corporation filed pursuant to this law (in this section – “a Report”);
  - (2) To a party that issued an opinion, report, review or certification that was included or mentioned, with such party's prior consent, in a Report - with regard to a misleading item that was in the aforesaid opinion, Report, review or certification.
- (b) In this section, the term “controlling shareholder” excludes the State.

**Chapter 7:**

**Additional Provisions Regarding Issues, Public Offerings and Ongoing Reports**

(Amendment: 5738)

**39 Approval by the Minister of Finance**

(Amendment: 5738)

- (a) Issues of securities and their offer to the public require the approval of the Minister of Finance or of a person appointed by him for such purpose.





The Securities Law, 1968

- (b) The Minister of Finance shall not refuse approval under this section unless it appears to the Minister that the offer, its terms or the timing of the same are contrary to the economic policy of the Government.
- (c) Approval under subsection (a) may be of a general nature, for a particular class of securities or personal.
- (d) The ISA shall not grant a permit for the publication of a prospectus until the offer has been approved pursuant to this section.

**39A Application of the provisions to a company incorporated outside of Israel and whose shares are offered to the public in Israel**

(Amendments: 5765, 5770(3))

- (a) The provisions of the Companies Law and the regulations enacted pursuant to that Law which are listed in the Fourth Schedule, will apply, with the changes stipulated below, to a company incorporated in a foreign country and offering its securities to the public in Israel; however the ISA is entitled to exempt it from all or part of such provisions and regulations if it is convinced that a foreign law that applies to the company sufficiently ensures the interests of the investing public in Israel; in this section, the term "foreign law" refers to the law that applies to the company in a country in which it was incorporated, as well as the law that applies to it due to the listing of its shares for trade on a foreign stock exchange, including the rules of that same stock exchange.
- (b) If the ISA is convinced of the sufficiency of the foreign law as described in subsection (a), it shall exempt a company from the provisions and regulations, as it has prescribed, and shall inform the company of such when it issues the permit to publish the prospectus.
- (c) The Minister in consultation with the Minister of Justice and with the ISA, may, by issuing an Order, include additional provisions of the Companies Law and regulations pursuant thereto, in the Fourth Schedule, or exclude such provisions or Regulations from it.
- (d) The provisions of this section will not apply to a company whose securities are listed for trade on a foreign stock exchange, or to a company to whom the provisions of Chapter 5-C apply pursuant to section 35DD.

**40 - 43.** *Repealed*

[Amendment: 5760 (2)]



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The Securities Law, 1968

**44. Inspection of documents**

(Amendments: 5748, 5760(3), 5763)

Copies of all prospectuses whose publication has been authorized, registration documents, and all reports, opinions or approvals included or mentioned therein, as well as copies of all reports and notices submitted pursuant to sections 36 and 37 shall be available at the main office of the issuer or of the corporation for review by anyone seeking it, and a person may copy them, with the exception of an application for exemption or a document for which an exemption from disclosure has been given.

**44A Restriction on a person giving an opinion**

(Amendment: 5748)

A person who provides an opinion required under this Law may not be a principal shareholder in the issuer to which the opinion refers.

**44A1 Misleading item**

(Amendment: 5771(2))

- (a) A draft prospectus, prospectus, report, notice, document or purchase offer specification, submitted to the ISA pursuant to this Law (in this section –reported material), may not include any misleading items.
- (b) An expert opinion, report, review or confirmation (in this section – an opinion) which is included or mentioned in reported material with the prior consent of the party giving the opinion, may not include any misleading items.

**Chapter 7A:  
Electronic Reporting**

**44B Reporting methods**

(Amendment: 5763)

- (a) Any draft prospectus, prospectus whose publication has been authorized, registration document or any report, opinion or approval included in them, and any report, notice or other document that must be submitted to the ISA or to a stock exchange pursuant to this law - shall be submitted according to the provisions of this article.
- (b) A document that must be submitted to a stock exchange as well, pursuant to the provisions of this law, and which was reported electronically to the ISA, shall be transferred by the ISA to the stock exchange, and the electronic reporting to the ISA shall also constitute compliance with the obligation to submit such document to the stock exchange.



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The Securities Law, 1968

**44C Data security**

(Amendment: 5763)

In order to ensure the security of the data in the documents reported electronically to the ISA under this Chapter, the ISA shall make use of reliable software and hardware systems which provide, to its satisfaction, reasonable protection against hacking, error, interference or damage caused to the computer or to computerized material, and which provide a reasonable level of accessibility and reliability.

**44D Implementation and regulations**

(Amendment: 5763)

- (a) The Minister of Finance shall enact, according to an ISA proposal or after consultation with the ISA and with the approval of the Knesset Finance Committee, regulations concerning:
- (1) Procedures for electronic reporting and for signatures for the purpose of the electronic reporting;
  - (2) Individuals holding office in a corporation or providing services to a corporation or other individuals, who may act as authorized persons for the purpose of electronic reporting and authorized signatories for the purpose of the said reporting (in this law - authorized electronic signatory);
  - (3) The duties of an authorized electronic signatory with regard to reporting under the provisions of this article;
  - (4) Preservation of documents at the corporation's offices;
  - (5) Fees that are payable to the ISA, including exemptions from such fees, with regard to the inspection, reproduction and distribution of reports and data reported to it electronically.
- (b) Without detracting from the provisions of the Electronic Signature Law, the Minister of Justice and the Minister of Finance may jointly, if it appears to them necessary in order to protect the interests of the public investing in securities, enact regulations, according to an ISA proposal or after consultation with the ISA and with the approval of the Knesset Scientific and Technological Research and Development Committee, concerning:
- (1) Provisions regarding what is required of a certification authority which are in addition to those in the Electronic Signature Law, to enable a certification authority to serve as such for the purpose of electronic reporting under the provisions of this Law (hereinafter in this Law — “signature certifier”);



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The Securities Law, 1968

- (2) The duties of a signature certifier, in addition to those imposed pursuant to the Electronic Signature Law;
- (3) The minimum requirements for the hardware and software systems of a signature certifier, in addition to those established in the Electronic Signature Law.

**44E Authority of the ISA**

(Amendments: 5763, 5769(2))

- (a) The ISA may establish rules concerning:
  - (1) Registration procedures for the purpose of electronic reporting to the ISA;
  - (2) The manner of electronic reporting;
  - (3) The minimum requirements of the hardware and software systems used for electronic reporting;
  - (4) The software through which electronic reporting shall be carried out;
  - (5) The structure and format of forms to be used for the purpose of electronic reporting;
  - (6) Provisions relating to the inspection, production and distribution of reports and data that have been reported electronically to the ISA.
- (b)<sup>6</sup> Rules established pursuant to sub-section (a) need not be published in *Reshumot*, but the ISA will publish a notice in *Reshumot* regarding the establishment of such rules, and regarding the date for their entry into effect.
- (c) Any rules established pursuant to sub-section (a) and any amendments thereof will be made available for public review at the office of the ISA and will be published on the ISA's website, and the ISA may order additional methods for their publication.

**44F Signature certifier**

(Amendment: 5763)

The Chairman of the ISA, or whoever the Chairman has authorized for this purpose, may require that a signature certifier or a party who wishes to be a signature certifier provide

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<sup>6</sup>Pursuant to section 6 of Amendment 5769(2), sub-section 44E(b) will be replaced by this version of sub-sections (b) and (c) Chapter 7-B (sections 44G through 44K) on the date of the entry into effect of regulations enacted pursuant to section 44J of the Law, or on the date of the entry into effect of rules enacted pursuant to section 44K(a), whichever is later. Until that date, the following text of sub-section 44E(b) will apply: "The publication of rules pursuant to sub-section(a) will be in the manner determined by the Minister of Finance, in consultation with the ISA." In accordance with this text, the Minister of Finance determined that the rules will be published on the ISA's website, and that after the distribution site (as defined in the Securities Regulations (Electronic Signature and Reporting) – 2003) is opened for public viewing, the rules will appear on the distribution site. (*Yalkut Pirsumim* 5210, 5763, page 3603).



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The Securities Law, 1968

explanations, details, information or documents, for the purpose of examining such person's compliance with the provisions of this law.

**Chapter 7-B: Secure Electronic Mail<sup>7</sup>**  
(Amendment: 5769(2))

**44G Definitions**

(Amendment: 5769(2), 5770(4))

In this chapter –

“Addressee” – any one of the following:

- (1) A reporting corporation;
- (2) A corporation to which a reporting requirement applies pursuant to Chapter 5-C or Chapter 5-D;
- (3) A corporation which has submitted an application to the ISA for permission to publish a prospectus pursuant to which it will make an initial public offering of its securities;
- (4) A corporation which has submitted its first application to the ISA to have its securities listed for trading on the stock exchange pursuant to Chapter 5-C or Chapter 5-D;
- (5) An offeror making a purchase offer for the securities of a registered company;
- (6) An underwriter;
- (7) A trustee for certificates of indebtedness, as defined in Chapter 5-A.
- (8) A company holding a platform license pursuant to section 44M.

**44H Delivery of a certified electronic message**

(Amendment: 5769(2))

Any notice, instruction, request or other document that the ISA or an employee authorized by it for such purposes may deliver to an addressee pursuant to this Law may be written as a certified electronic message and delivered to the addressee by sending it to the addressee's secure electronic mailbox.

**44I Presumption of delivery**

(Amendment: 5769(2))

- (a) A certified electronic message which has been sent to an addressee as stated in section 44H and regarding which a electronic confirmation of arrival has been

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<sup>7</sup> Pursuant to section 6 of Amendment 5769(2), Chapter 7-B (sections 44G through 44K) will enter into effect on the date of the entry into effect of regulations enacted pursuant to section 44J of the Law, or on the date of the entry into effect of rules enacted pursuant to section 44K(a), whichever is later. The amendment also provides that notwithstanding the provisions of Chapter 7-B, for the first 60 days following the said entry into effect, any notice, instruction, demand or other documents issued pursuant to the provisions of the said chapter will also be delivered to the addressee in the manner used prior to the entry into effect.



### The Securities Law, 1968

received will be presumed to have been delivered to the addressee at the end of two business days following the arrival date indicated on such confirmation, unless it is proven that the addressee received such electronic message at an earlier date.

- (b) If the arrival date indicated in a confirmation as described in sub-section (a), falls on a Friday, or on a rest day as that term is defined in section 18A of the Government and Judicial Procedures Ordinance-1948, or on a rest day established in legislation, the arrival date will be considered to have been, for the purpose of sub-section (a), the following business day.

### **44J Regulations regarding secure electronic mail**

(Amendment: 5769(2))

- (a) The Minister of Finance, together with the Minister of Justice, will enact, at the recommendation of the ISA or upon consultation with it, and with the approval of the Knesset Finance Committee, regulations regarding –
- (1) Individuals who hold positions at the addressee, provide services to the addressee or who act on behalf of the addressee who may serve as authorized parties for the purpose of having access to the addressee's secure electronic mailbox;
  - (2) The duties of an authorized party as described in paragraph (1);
  - (3) The frequency of access to the secure electronic mailbox.
- (b) The Minister of Finance, together with the Minister of Justice, will enact, at the recommendation of the ISA or upon consultation with it and with the approval of the Knesset Committee on Science and Technology, regulations regarding the duties of a signature certifier regarding the electronic certificates that are used for working with the secure electronic mailbox, in addition to the signature certifier's duties pursuant to the Electronic Signature Law.

### **44K ISA rules regarding secure electronic mail**

(Amendment: 5769(2))

- (a) The ISA will establish rules regarding
- (1) Registration procedures for obtaining approval for access to a secure electronic mail system;
  - (2) The manner in which a secure electronic mailbox can be created and the manner in which the mailbox may be accessed for the purpose of receiving a confirmed electronic message sent by the ISA;



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The Securities Law, 1968

- (3) The minimal requirements for the hardware and software systems used for access to a secure electronic mail system.
- (b) The ISA may establish rules regarding the requirement of an electronic signature in a secure electronic mail system.
- (c) The rules established pursuant to sub-sections (a) and (b) need not be published in *Reshumot*, but the ISA will publish a notice in *Reshumot* regarding the establishment of such rules, and regarding the date for their entry into effect.
- (d) Any rules established pursuant to sub-section (a) and (b) and any amendments thereof will be made available for public review at the office of the ISA and will be published on the IAA's website, and the ISA may order additional methods for their publication.

**Chapter 7-C:  
Personal Account Trading Platform  
(Amendment: 5770(4))**

**44L<sup>8</sup> Definitions**  
(Amendment: 5770(4))

In this Chapter –

“Trading platform” – each of the following:

- (1) A computerized system through which a person buys financial instruments from his customers and for his personal account, or through which the person sells financial instruments from his personal account to his customers, in an organized, regular and methodical manner - excluding a system in which all the financial instruments that are bought or sold are financial instruments the terms of which are determined through direct negotiations between the parties to the transaction;
- (2) A computerized system that allows a customer the opportunity to trade through a system such as is described in paragraph (1);

“Financial instrument” – each of the following:

- (1) Securities as defined in section 1;
- (2) Securities issued by the government;
- (3) Units in a closed fund as defined in the Joint Investment Trust Law;

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<sup>8</sup> Chapter 7-C (sections 44L through 44DD) enters into effect three months after 15 June 2010, or on the date that regulations enacted pursuant to sections 44M(b)(5) and (6) and 44CC of the Law enter into effect, whichever is later.



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The Securities Law, 1968

- (3) An agreement or arrangement the value of which is derived from the value of currencies, commodities, interest rates, exchange rates, indices or another financial instrument;
- (4) Any other financial instrument that the Minister of Finance has specified, according to the ISA's recommendation or in consultation with it, and with the approval of the Knesset Finance Committee;

“Customer” – a party wishing to purchase or sell a financial instrument through a trading platform;

“Corporate officer” – a senior corporate officer as defined in section 37(d);

“Platform license” – a license granted by the ISA to manage a trading platform.

**44M<sup>9</sup> License to manage a trading platform**

(Amendment: 5770(4))

- (a) No person may manage a trading platform without having received a platform license, and the trading platform must be managed in accordance with the terms of the license.
- (b) The ISA will grant a platform license to a company regarding which the following conditions are met:
  - (1) Its business is managed and controlled in Israel, and if not, the company is able to comply with all the provisions of this Law, and such provisions can be enforced with respect to such company;
  - (2) The company's sole purpose is the management of the trading platform;
  - (3) The company has enacted a set of by-laws as described in section 44R;
  - (4) The company has the technical skills and the proper resources for operating a trading platform in a manner that will ensure the floor's stability, reliability, and availability, and the security of the information contained in it;
  - (5) The company complies with additional requirements established by the Minister of Finance, at the ISA's recommendation or in consultation with it and with the approval of the Knesset Finance Committee, regarding the matters listed below, and the Minister may establish different requirements, according to the type of license or the scope or nature of activity carried out pursuant to it;
    - (a) Shareholders' equity, liquid assets and a deposit;
    - (b) Insurance;

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<sup>9</sup> Chapter 7-C (sections 44L through 44DD) enters into effect three months after 15 June 2010, or on the date that regulations enacted pursuant to sections 44M(b)(5) and (6) and 44CC of the Law enter into effect, whichever is later.





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The Securities Law, 1968

- (6) The company has filed reports and documents with the ISA as established by the Minister of Finance, at the ISA's recommendation or in consultation with it and with the approval of the Knesset Finance Committee; reports filed pursuant to this paragraph will be published upon the grant of the license, in the manner directed by the ISA.
- (c) Notwithstanding the provisions of sub-section (b), the ISA may, for reasons relating to the company's reliability, the reliability of a senior corporate officer or that of a controlling shareholder, refuse to grant a platform license to a company regarding which the conditions listed in that sub-section are fulfilled, provided that the company is given the opportunity to state its case regarding the matter.
- (d) The ISA may establish, as part of the platform license, types of financial instruments that may be traded on the platform, and it may limit the license with respect to the types of activity that a company with a platform license may carry out or regarding the types of customers who will be allowed to trade on the platform.

**44N<sup>10</sup> Duty to comply with the license requirements**

(Amendment: 5770(4))

A company with a platform license will be, at all times, in compliance with the conditions established in section 44M(b)(1), (4) and (5).

**44O<sup>10</sup> Prohibition on offering to trade on an unlicensed trading platform**

(Amendment: 5770(4))

No offer may be made to trade on a trading platform that is not managed by a company with a platform license, or by a party which is permitted to manage a trading platform without a license pursuant to the provisions of section 44DD.

**44P<sup>10</sup> Prohibition on additional occupations**

(Amendment: 5770(4))

- (a) A company holding a platform license may not engage in any other occupation other than the management of the trading platform.
- (b) A company holding a platform license may not extend credit to its customers.

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<sup>10</sup> Chapter 7-C (sections 44L through 44DD) enters into effect three months after 15 June 2010, or on the date that regulations enacted pursuant to sections 44M(b)(5) and (6) and 44CC of the Law enter into effect, whichever is later.



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The Securities Law, 1968

**44Q<sup>11</sup> Proper and fair conduct**

(Amendment: 5770(4))

- (a) A company holding a platform license will conduct the trading platform in a proper and fair manner.
- (b) A company holding a platform license and a party providing services on its behalf, including marketing services with respect to the trading platform (in this section – a service provider), may not include any misleading item in its reporting, its publications or in any other information which it provides.
- (c) A company holding a platform license must supervise and take all reasonable measures to prevent a violation of the provisions of sub-section (b) by a service provider; if a service provider violates such a provision, it will be presumed that the company breached its duty pursuant to this sub-section, and it will be treated as if it had committed the violation itself unless it can prove that it has taken all reasonable measures in order to fulfill the said duty.

**44R<sup>11</sup> Provisions in company by-laws regarding the conduct of the trading platform**

(Amendment: 5770(4))

- (a) A company holding a platform license shall establish provisions in its by-laws, which shall be approved by the ISA, regarding the proper and fair conduct of the trading platform, including provisions which ensure its compliance with the requirements contained in the provisions of this Law.
- (b) Any modification of the provisions in the by-laws described in sub-section (a) shall require ISA approval, but the ISA may direct that with respect to specific subjects, its approval will not be required for such an amendment.
- (c) If the ISA believes that after a company holding a platform license has been given an opportunity to state its case regarding the matter, it is necessary - in order to ensure the proper and fair conduct of the trading platform - to add additional provisions to its by-laws in accordance with sub-section (a), or that it is necessary to amend such provisions, the ISA will instruct the company regarding such, and the company will act accordingly, within 30 days from the date on which it receives such instruction.
- (d) By-laws provisions such as are described in sub-section (a), and any amendment thereof, shall be published in the manner directed by the ISA.

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<sup>11</sup> Chapter 7-C (sections 44L through 44DD) enters into effect three months after 15 June 2010, or on the date that regulations enacted pursuant to sections 44M(b)(5) and (6) and 44CC of the Law enter into effect, whichever is later.



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The Securities Law, 1968

**44S<sup>12</sup> Prohibition against exploitation of a customer**

(Amendment: 5770(4))

A company holding a platform license will not do anything, either by act or omission, either in writing or verbally or in any other manner, which involves any type of exploitation of a customer's ignorance or inexperience, in order to enter into a transaction with unreasonable terms or in order to give or receive consideration which is unreasonably different than the standard consideration.

**44T<sup>12</sup> ISA supervision**

(Amendment: 5770(4))

- (a) The ISA will supervise the proper and fair conduct of a trading platform by a company holding a platform license.
- (b) The ISA may, for the purpose of carrying out the supervision described in sub-section (a), issue instructions relating to the manner in which a company holding a platform license will act, and relating to the manner in which a corporate officer or any employee of such a company will act – all in order to ensure the proper and fair conduct of the trading platform and the protection of its customers' interests; such instructions may be issued to all companies holding platform licenses, or to a particular category of such companies.
- (c) Instructions issued pursuant to sub-section (b) need not be published in *Reshumot*, but the ISA will publish a notice in *Reshumot* regarding the issuance of such instructions and regarding the date for their entry into effect; the instructions and any amendments thereof will be made available for public review at the office of the ISA and will be published on the IAA's website, and the ISA may order additional methods for their publication.
- (d) Without detracting from the provisions of sub-section (b), the ISA may, for the purpose of carrying out the supervision described in sub-section (a), issue an instruction to a particular company holding a platform license, in order to ensure the implementation of the provisions of this Law.
- (e) Upon receiving a request for such from the ISA or from an ISA employee who has been authorized for such purpose, and within the time indicated in the request, a company holding a platform license will provide the ISA with a written explanation, specification, information or documents – relating to details included in a report submitted pursuant to this Chapter.

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<sup>12</sup> Chapter 7-C (sections 44L through 44DD) enters into effect three months after 15 June 2010, or on the date that regulations enacted pursuant to sections 44M(b)(5) and (6) and 44CC of the Law enter into effect, whichever is later.



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The Securities Law, 1968

**44U<sup>13</sup> Liability of a company holding a platform license**

(Amendment: 5770(4))

- (a) A company holding a platform license will be liable for damage caused to a customer as a result of its breach of an instruction issued pursuant to this Law, or of one of the provisions of its by-laws which were enacted pursuant to section 44R.
- (b) The general manager of a company holding a platform license must supervise and take all reasonable measures to prevent a violation, as described in sub-section (a), of any instruction or provision of the by-laws by the company or by one of its employees.
- (c) If a company holding a platform license violates an instruction or by-law described in sub-section (a), it will be presumed that the general manager of the company has breached his duty pursuant to sub-section (b), and he will also be subject to the liability described in sub-section (a), unless he proves that he took all reasonable measures in order to fulfill his said duty.

**44V<sup>13</sup> Notification duty of principal shareholders and corporate officers of companies holding platform licenses**

(Amendment: 5770(4))

If instructions issued pursuant to this chapter require a company applying for a platform license or one holding such a license to disclose in its reports details relating to those who are principal shareholders or corporate officers in such companies, the provisions of sections 37 and 38 - regarding the notification duty of a principal shareholder or corporate officer, or regarding parties who have ceased to be principal shareholders or corporate officer, as described in section 37(b) - will apply.

**44W<sup>13</sup> Revocation or suspension of a platform license**

(Amendment: 5770(4))

- (a) If the Chairman of the ISA finds that one of the conditions described in section 44M(b) is no longer being met with respect to a company holding a platform license, or that circumstances listed in sub-section (b) indicating a defect in the reliability of the company or of a corporate officer or principal shareholder in the company have arisen, and the Chairman of the ISA believes that such defect can be corrected, the Chairman may order its correction within a prescribed period of time; if the defect cannot be corrected or if the period of time prescribed by the Chairman has passed and the defect has not been corrected, the ISA may - after giving the company an opportunity to state its case regarding the matter - revoke the license or suspend the license.

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<sup>13</sup> Chapter 7-C (sections 44L through 44DD) enters into effect three months after 15 June 2010, or on the date that regulations enacted pursuant to sections 44M(b)(5) and (6) and 44CC of the Law enter into effect, whichever is later.



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The Securities Law, 1968

- (b) The ISA will establish a list of circumstances which indicate a defect in a reliability of a company holding a platform license or of a corporate officer or principal shareholder in such a company; the list will be published on the ISA's website and a notice of its publication or of any amendment thereof and of the date of its entry into effect will be published in *Reshumot*.

**44X<sup>14</sup> Controlling shareholder's permit**

(Amendment: 5770(4))

- (a) No person may be a controlling shareholder of a company holding a platform license without obtaining a permit from the ISA (in this Chapter – a control permit).
- (b) The ISA may only refuse to grant a control permit pursuant to this section for reasons relating to the reliability of the party requesting the permit or to the reliability of a corporate officer of such party.
- (c) The provisions of sub-section (a) will not apply to a party that has become a controlling shareholder such as is described in sub-section (a) as a result of a transfer of the means of control by operation of law.

**44Y<sup>14</sup> Transfer of means of control**

(Amendment: 5770(4))

A party holding the means of control in a company holding a platform license may not transfer such means of control to another party with the knowledge that the transferee is required to hold a control permit, and does not hold such a permit.

**44Z<sup>14</sup> Cancellation of a control permit**

(Amendment: 5770(4))

- (a) If the Chairman of the ISA finds that circumstances listed in sub-section (b) indicating a defect in the reliability of a party holding a control permit or of a corporate officer or principal shareholder in such a party have arisen, and the Chairman of the ISA believes that such defect can be corrected, the Chairman may order its correction within a prescribed period of time; if the defect cannot be corrected or if the period of time prescribed by the Chairman has passed and the defect has not been corrected, the ISA may - after giving the party holding the control permit an opportunity to state its case regarding the matter - revoke the permit.

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<sup>14</sup> Chapter 7-C (sections 44L through 44DD) enters into effect three months after 15 June 2010, or on the date that regulations enacted pursuant to sections 44M(b)(5) and (6) and 44CC of the Law enter into effect, whichever is later.



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The Securities Law, 1968

- (b) The ISA will establish a list of circumstances which indicate a defect in a reliability of a party holding a control permit, or of a corporate officer or principal shareholder in such a party; the list will be published on the ISA's website and a notice of its publication or of any amendment thereof and of the date of entry into force will be published in *Reshumot*.

**44AA<sup>15</sup> Instructions to a party acting without a control permit**  
(Amendment: 5770(4))

- (a) If the Chairman of the ISA finds that a person is a controlling shareholder of a company holding a platform license, and such person does not hold a control permit, the Chairman of the ISA may, after giving such person an opportunity to state his case regarding the matter, order –
- (1) The sale of all or some of the means of control held by such person, within a prescribed period of time, such that the person will no longer be a controlling shareholder;
  - (2) That voting rights or rights to appoint a director or a general manager, granted by virtue of the means of control held by such person not having a control permit, may not be exercised;
  - (3) That a vote cast by virtue of the means of control held by such person not having a control permit may not be counted as part of a quorum for voting;
  - (4) That the appointment of a director or general manager caused by such person be cancelled;
  - (5) That the company's platform license be cancelled.
- (b) If a person is a controlling shareholder in a company holding a platform license by virtue of a transfer of the means of control by operation of law, the ISA may – after giving such person an opportunity to state his case regarding the matter – order the sale of all or some of such means of control, within a prescribed period of time, such that the person will no longer be a controlling shareholder.
- (c) If the ISA has issued instructions pursuant to sub-section (b) to sell the means of control, it may also issue an instruction such as is described in sub-sections (a)(2) through (4), with the necessary changes.
- (d) If the controlling shareholder has not sold the means of control in accordance with the instructions of the Chairman of the ISA or of the ISA, pursuant to sub-sections

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<sup>15</sup> Chapter 7-C (sections 44L through 44DD) enters into effect three months after 15 June 2010, or on the date that regulations enacted pursuant to sections 44M(b)(5) and (6) and 44CC of the Law enter into effect, whichever is later.



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The Securities Law, 1968

(a) or (b), a Court may, at the ISA's request, appoint an asset receiver for the sale of such means of control.

**44BB<sup>16</sup> Duty to give notice regarding an investigation, indictment or conviction**

(Amendment: 5770(4))

- (a) A company with a platform license or a party holding a control permit will notify the ISA of any conviction for a crime, indictment regarding the commission of a crime or initiation of an investigation regarding the suspected commission of a crime – regarding such company or party, or regarding a corporate officer of either of them.
- (b) A corporate officer of a company with a platform license or of a controlling shareholder of such a company will notify the company or the controlling shareholder, whichever is relevant, of any of the matters described in sub-section (a), immediately upon becoming aware of such; a notice provided pursuant to this sub-section will include the details that the company or the controlling shareholder requires in order to comply with the duty imposed in sub-section (a).

**44CC<sup>16</sup> Regulations regarding Chapter 7-C**

(Amendment: 5770(4))

The Minister of Finance, at the recommendation of the ISA or in consultation with it and with the approval of the Knesset Finance Committee, may establish rules regarding following matters:

- (1) The permitted leverage rate for financial instruments traded on the floor, including different leverage rates for different types of financial instruments;
- (2) The prevention of conflicts of interest between a company holding a platform license (in this section – the Company), its employees, any parties providing services on its behalf, and its controlling shareholder on the one hand – and its customers, on the other hand;
- (3) The manner in which the Company's customers' funds are handled;
- (4) The information that a Company will be required to provide to its customers, including information regarding the trading platform, the financial instruments traded on it and their prices, and the transactions entered into on the platform;
- (5) The Company's preservation of documents;

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<sup>16</sup> Chapter 7-C (sections 44L through 44DD) enters into effect three months after 15 June 2010, or on the date that regulations enacted pursuant to sections 44M(b)(5) and (6) and 44CC of the Law enter into effect, whichever is later.



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The Securities Law, 1968

- (6) The Company's duty to examine the suitability of the trading platform activity for each particular customer, including the degree of the customer's understanding of the risks and chances involved in his trading platform activity;
- (7) The manner in which the Company carries out marketing and advertising, including publications or notices to customers regarding the risks and chances involved in the trading platform activity;
- (8) Reports that the Company is required to submit to the ISA, and the manner in which they will be made public;
- (9) The recordation of transactions by the Company.

**44DD<sup>17</sup>      Limitation on applicability**  
(Amendment: 5770(4))

- (a) The provisions in this Chapter will not apply to the following:
  - (1) The Bank of Israel;
  - (2) Any party all of whose customers fall within the categories listed in the First Schedule, and a banking corporation or an auxiliary corporation, as defined in the Banking Law (Licensing) – 1981, unless transactions of the types listed in the Fourth Schedule – Part A will be carried out through the trading platform.
- (b) The Minister of Finance may, upon consultation with the ISA and with the Supervisor of Banks appointed pursuant to section 5 of the Banking Ordinance, 1941, and through the issuance of an order, add additional types of transactions to the Fourth Schedule – Part A.

**Chapter 8:  
The Stock Exchange**

**45      License**  
(Amendments: 5751, 5760)

- (a) A stock exchange may only be opened or managed after receipt of a license from the Minister of Finance, to be issued after consultation with the ISA.
- (b) A license under this section shall be given to a company that does not limit the number of its members and -

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<sup>17</sup> Chapter 7-C (sections 44L through 44DD) enters into effect three months after 15 June 2010, or on the date that regulations enacted pursuant to sections 44M(b)(5) and (6) and 44CC of the Law enter into effect, whichever is later.





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The Securities Law, 1968

- (1) Its memorandum of association restricts its objects to the managements of a stock exchange;
- (2) Its articles of association ensure that its profits are used only for achieving its objectives and are not distributed amongst its members, and that, upon winding-up, the balance of its assets is used for purposes to be prescribed by the Minister of Finance; the provisions of this section shall apply until after two or more licenses are granted under section 45(a).
- (3) It has drawn up by-laws as described in section 46, and the by-laws have been approved by the Minister of Finance after consultation with the ISA, and by the Knesset Finance Committee;
- (4) It will manage a stock exchange located in a city in which there is not yet a stock exchange.

**45A Board of directors of a stock exchange**

(Amendment: 5748, 5751)

- (a) The board of directors of a stock exchange (hereafter - the board of directors) shall be composed as follows:
  - (1) Seven directors appointed by the members in accordance with the stock exchange incorporation documents;
  - (2) Five directors appointed by an appointment committee with the approval of the Chairman of the ISA (hereafter – external directors);
  - (3) One director appointed by the Minister of Finance;
  - (4) One director appointed by the Commissioner of the Bank of Israel;
  - (5) The chairman of the board of directors, who shall be elected by the board of directors with the approval of the Chairman of the ISA, provided that such chairman holds the qualifications necessary for external directors as provided in subsection (f), and that such chairman is not a principal shareholder in any corporation the securities of which are traded on the stock exchange;
  - (6) A general manager of the stock exchange, to be elected by the board of directors, provided that such general manager holds the qualifications necessary for external directors as provided in subsection (f), and that such general manager is not a principal shareholder in any corporation the securities of which are traded on the stock exchange; the general manager of the stock exchange shall have no voting rights.
- (b) The term of office of an external director shall be two years, and such external director may be reappointed for two additional terms of two years each; after two years have passed since the completion of a term in office as described above, the same individual may be reappointed as an external director.
- (c) The term of office of the chairman of the board of directors shall be five years, and the chairman may then be reappointed for an additional five year term.



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The Securities Law, 1968

- (d) For purposes of this section and of section 45B – the term “appointment committee” shall mean a committee composed of four members, as follows:
- (1) A judge appointed by the Minister of Justice with the consent of the President of the Supreme Court, who shall be the chairman of the appointment committee, and who shall have a determinative vote in the event of a split decision;
  - (2) The Chairman of the ISA;
  - (3) The chairman of the board of directors;
  - (4) The dean of the faculty of business administration of the university in the city in which the stock exchange is located, or a member of the faculty appointed by such dean, provided that such person holds the qualifications necessary for external directors;

The term a “principal shareholder” refers here to such a principal shareholder by himself or together with a family member.

- (e) The appointment committee shall prescribe its work procedures and the manner in which its proceedings shall be conducted.
- (f) An external director shall not be a stock exchange member or a principal shareholder in a stock exchange member, nor an employee of a member, nor an employee of a corporation controlled by a member, nor an employee of a party in control of a member; nor shall an external director be a person who provides, on a permanent basis, services to any of the aforesaid, nor shall an external director be a principal shareholder by virtue of shareholdings in any corporation the securities of which are listed for trade on the stock exchange; the Minister of Finance may prescribe, in regulations, additional criteria with regard to the qualifications of external directors.

**45B Expiration of an external director’s term of office**

(Amendment: 5748)

- (a) A person shall cease to act as an external director prior to the end of the period for which he or she was appointed if any one of the following transpires:
- (1) He or she has submitted a letter of resignation;
  - (2) He or she has been absent from four consecutive meetings of the board of directors or from six meetings within a year, unless the appointment committee has approved his or her continuation in office after being convinced of the justification of his or her absenteeism;
  - (3) He or she is, in the opinion of the appointment committee, unable to fulfill his or her duties;
  - (4) In the opinion of the appointment committee, a condition that disqualifies him or her from serving as an external director has been fulfilled.



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The Securities Law, 1968

- (b) An external director resigning from office before the end of the period for which he or she was appointed, shall submit to the board of directors, with a copy to the chairman, a written notice stating the reasons for his or her resignation.

**45C Prohibition against carrying out transactions in securities**

(Amendments: 5748, 5764)

The provisions of section 5(a) and (b) shall apply to the directors and employees of a stock exchange, but the notice required pursuant to section 5(b) shall, in the case of such individuals, be delivered to the chairman of the ISA and to the chairman of the board of directors.

**45D Reporting**

(Amendment: 5748)

Within six months of the end of every fiscal year, the stock exchange shall submit its financial reports and a notice under section 123A of the Companies Ordinance (New Version)-1983 to the Registrar and to the ISA.

**46 By-laws of a stock exchange**

(Amendments: 5751, 5754, 5760, 5768)

- (a) The by-laws of a stock exchange shall establish rules for the proper and fair operation of the stock exchange; without derogating from the above, the by-laws may establish, for the said purpose:
- (1) Rules pertaining to membership in the stock exchange, including -
    - (a) The terms of eligibility for membership in the stock exchange and the procedure for the admission of members;
    - (b) Areas of activity permitted to a member of the stock exchange;
    - (c) The duties of the members of the stock exchange to the stock exchange and to its members, including duties of disclosure, registration and reporting;
    - (d) Rules of behavior for the members of the stock exchange towards their clients, including duties of disclosure, registration and reporting;
    - (e) The stock exchange's supervision and control regarding its members' compliance with the stock exchange by-laws and directives;
    - (f) Disciplinary offenses and disciplinary jurisdiction with regard to the members of the stock exchange;
    - (g) Terms and procedure for the suspension of members and termination of membership;
    - (h) The application of provisions of subsections (a) through (g), *mutatis mutandis*, to a company operating within the areas of activity permitted to a member of the stock exchange and which is



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The Securities Law, 1968

under the control of or has control over a member of the stock exchange;

- (2) Rules for the listing of securities for trading on the stock exchange (hereafter - listing for trading) including rules regarding:
- (a) Criteria of a company eligible to have its securities listed for trading, with regard to the duration of its activity, volume of its activity and its business results, the value of its assets and liabilities, its relationship to other corporations and its classification according to listing groups; various rules may be made in accordance with the type of economic activity in which a company is engaged;
  - (b) Characteristics of securities that may be listed for trading, with regard to type, minimum total value at the time of listing, the minimum percentage to be held by the public immediately after listing and the degree of dispersal, and the maximum number of classes or series;
  - (c) The ratio between the price of the securities upon issue and the price of the company's securities on the stock exchange, the manner in which the issue will be carried out and the mode of allocation of the issued securities;
  - (d) The requirement that the company's securities will be issued under the same terms and at an equal price for all purchasers, and the conditions and circumstances in which it is permitted to deviate from this requirement with respect to types of issues or types of purchasers, if necessary to encourage investment in the company's securities, or with regard to the allotment of securities to employees;
  - (e) The listing for trade of securities that were issued through a private offering;
  - (f) Prohibition of any transaction or activity in securities by a holder or category of holders, for a period to be determined;
  - (g) The requirement that all of the company's issued share capital be fully paid up;
  - (h) The requirement that all of the company's issued share capital will be listed for trade, and rules for deviation from this rule with regard to industrial companies to which the Law for the Encouragement of Industry (Taxes), 5729-1969 applies; this requirement will not apply in regard to special State shares as described in section 46B (1);
  - (i) The requirement that all of the company's issued capital be listed for trading in the name of a nominee company, and rules for deviation from this rule, including with regards to companies whose securities are listed for trading in a stock exchange outside



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The Securities Law, 1968  
of Israel and with regards to companies that were incorporated  
outside of Israel.

- (3) Rules regarding trade on the stock exchange, including -
- (a) Trading hours;
  - (b) Trading in various trading groups or through various trading systems;
  - (c) The stock exchange's supervision and control regarding compliance with the stock exchange by-laws and directives pertaining to trading and the proper conduct thereof;
  - (d) Conditions and procedures for the temporary suspension or limitation of trade in a security or in a class of securities;
  - (e) The restriction of trading on the stock exchange only to its stock exchange members or to persons approved by the stock exchange, and the terms for such approval;
  - (f) Publication of the results of trading;
  - (g) The circumstances under which a transaction in securities that are listed on the stock exchange may be carried out by a member thereof other than in the course of trading on the stock exchange;
- (4) The obligations of a corporation whose securities are listed for trade on the stock exchange, (hereinafter - a listed company) including:
- (a) Continued compliance with the rules prescribed for initial listing for trading, including after initial listing, subject to changes resulting from the fact that the said securities of the company are listed for trade;
  - (b) The duty to give notice regarding types of occurrences, and to provide information upon the stock exchange's demand for such;
  - (5) The conditions and procedure for the suspension of trading in a security or for the delisting of a security, including delisting at the initiative of the listed company;
  - (6) Rules for the publication of information by the stock exchange, including information regarding trading, to the members of the stock exchange and to listed companies;
  - (7) Commissions, listing fees and fees for services provided by the stock exchange;
  - (8) The application of the rules established in the by-laws to a corporation that is not a company and to units of a closed fund as such is defined in the Joint Investment Trust Law, and the adjustments required for this.
- (b) The stock exchange by-laws may allow the board of directors of the stock exchange to refuse to list securities for trade on the stock exchange if it is of the opinion that there exists a substantial conflict of interest between the company and a controlling shareholder therein or between the company and another



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### The Securities Law, 1968

- company under the control of a controlling shareholder, provided that any such decision shall be passed by at least two-thirds of the Board members participating in the meeting and entitled to vote, after the company has been granted a proper opportunity to present its case in writing to the board of directors.
- (c) The stock exchange by-laws and any amendment thereto may establish transitional provisions in addition to the provisions determined therein.
  - (d) The board of directors of the stock exchange may, with the approval of the ISA, enact directives that include specifications, conditions and reservations with regard to anything set out in the by-laws, provided that it is expressly empowered to do so in the by-laws.

### **46A Temporary provisions**

(Amendments: 5748, 5752)

- (a) Notwithstanding the provisions of section 46, a stock exchange may, if it sees fit, issue temporary provisions regarding matters specified in section 46, for purposes of experimentation prior to their being permanently included in the stock exchange by-laws.
- (b) Temporary provisions shall be subject to ISA approval.
- (c) Notice of temporary provisions shall be submitted by the ISA to the Minister of Finance and to the Knesset Finance Committee, and they shall take effect 14 days after the delivery of the said notice, provided that no request for the cancellation of the same has been submitted by a member of the said Committee; in the event that such a request is submitted, it shall be heard by the Committee, and the temporary provisions shall take effect 30 days from the date of the request unless canceled by the Committee.
- (d) Temporary provisions shall remain in effect for a period not exceeding one year, but with ISA approval, they may be extended for an additional period not to exceed one year.
- (e) A Stock Exchange shall submit a report to the ISA, in such manner and time as directed by the ISA, as to the manner of implementation of the temporary provisions and the results of their operation.
- (f) Temporary provisions shall be published in the way in which stock exchange by-laws and amendments thereto are published as stated in section 49.



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The Securities Law, 1968

**46B. Equalization of voting rights**

(Amendment: 5751)

- (a) A stock exchange shall not list shares or securities convertible into shares for trading, unless it is satisfied that the following conditions have been met:
- (1) With regard to a company the shares of which are being listed for trading for the first time - the capital of the company shall consist of one class of shares only, conferring equal voting rights in proportion to their nominal value; this condition shall not apply to special State shares. Nothing in this provision shall be construed as prohibiting a company from issuing preference shares, provided that one year has lapsed since the shares were first listed for trade;
  - (2) With regard to a listed company as defined in section 46(a)(4) – any additional issue of shares shall be of the shares with the most preferential voting rights; nothing in this provision shall be construed as prohibiting a listed company, the capital of which consists solely of classes of shares permitted under section (1), from issuing preference shares starting from the later of January 1, 1992 or the end of one year from the time its capital consisted solely of shares as described above.
- (b) In this section -  
“Preference shares” - shares conferring a preferred right to dividends and not conferring voting rights;  
“Special State shares” - shares which the government has determined are necessary for purposes of protecting a vital interest, and which, by special government decision adopted prior to their being listed for trading, confer special rights upon the government.

**46C. Duties of holders of founder’s shares**

(Amendment: 5751)

Any person who, on August 1, 1990, held founder’s shares and capital shares in a listed company, shall continue to hold - as will any person who acquired the founder shares from him - capital shares in a proportion not less than that held by such shareholder at the said date, except to the extent that a decrease in the proportion of such shareholder’s holding of capital shares is due to rights conferred prior to that date upon other holders of the company’s securities for the purpose of realizing or converting their securities into capital shares; nothing in this provision shall detract from the application of section 46B(a)(2) to the listed company.



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The Securities Law, 1968

**47 Appeal and petitioning of the stock exchange's decisions**

(Amendments: 5748, 5770(4))

- (a) Decisions rendered by the stock exchange in disciplinary proceedings may be appealed to the Court by the affected parties who believe themselves to have been injured by such decisions.
- (b) Stock exchange decisions may be appealed to the Economics Department, as defined in section 42D of the Courts Law [Integrated Version] -1984 by parties believing themselves to have been injured by such decisions, if such decisions are not referred to in subsection (a) above and were not made in the course of trading on the stock exchange or are not decisions regarding its by-laws or provisions; notice of commencement of proceedings under this subsection shall be submitted to the ISA, and the ISA may be present and heard at the said proceeding. For this purpose, a decision regarding the stock exchange's by-laws or provisions shall mean decisions pursuant to sections 46 or 46a, dealing with the establishment of stock-exchange by-laws, provisions or temporary provisions, including a decision regarding the amendment or cancellation thereof.

**48 Amendments to stock exchange by-laws**

(Amendment: 5748, 5754)

- (a) The board of directors of a stock exchange may amend the stock exchange by-laws; an amendment requires the approval of the Minister of Finance, after consultation with the ISA, and the approval of the Knesset Finance Committee.
- (b) If the ISA is of the opinion that for the purpose of [ensuring] proper and fair management of a stock exchange, an amendment should be made to the stock exchange by-laws, it shall give notice of this to the stock exchange; if the stock exchange does not amend its by-laws in accordance with the notice within the time prescribed therein, the Minister of Finance may, in accordance with an ISA proposal and with the approval of the Knesset Finance Committee, amend them by an order, and the amendment shall take effect on the date determined in the order.
- (c) A stock exchange may not change or rescind an amendment [made] pursuant to subsection (b) other than with the consent of the Minister of Finance.

**49. Publication of the stock exchange by-laws**

The by-laws of a stock exchange and any amendment thereto shall be published in the manner directed by the Minister of Finance.





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The Securities Law, 1968

**50 Continuity of operation of stock exchange**

- (a) The stock exchange shall not be closed unless it is of the opinion, or the Minister of Finance is of the opinion that such closure is necessary in the interests of the investing public.
- (b) A stock exchange shall not decide upon its closure for more than one business day except with the approval of the Minister of Finance.
- (c) If a stock exchange has decided upon its closure, it shall immediately notify the Minister of Finance to such effect, and the Minister of Finance may direct that it shall not be closed or that it shall be reopened.

**50A. Stability of clearing houses**

(Amendments: 5765, 5765(4), 5768, 5768(2))

- (a) In this section -

“**Stock exchange**” - including a stock exchange outside Israel which has received approval from the competent authority under the law of the country in which it operates, and a regulated market;

“**Member of a stock exchange**” - for the purpose of a stock exchange as defined in section 1 - someone who is a stock exchange member in accordance with the stock exchange by-laws within the meaning thereof in section 46, and with regard to a stock exchange outside Israel or a regulated market, as stated in the definition of “stock exchange” in this sub-section - anyone who was approved by such stock exchange or regulated market as a member therein or as a participant therein;

“**Clearing house member**” - someone who was approved by the clearing house as a member therein, excluding the Bank of Israel;

“**Clearing house**” - each of the following:

- (1) The Tel-Aviv Stock Exchange Clearing House Ltd;
- (2) The Maof Clearing House Ltd;
- (3) Another corporation, controlled by a stock exchange, which is engaged in the clearing of securities;

“**Financial agent**” - each of the following:

- (1) A stock exchange member;
  - (2) A clearing house;
  - (3) The Bank of Israel.
- (b) (1) A stock exchange member who buys securities that are cleared through a clearing house on the stock exchange shall not be entitled to the securities



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The Securities Law, 1968

that were purchased as stated above unless the full consideration for them has been received by the clearing house.

- (2) If the full consideration as stated in section (1) is not received, the ownership of the securities shall be conferred upon the clearing house; the clearing house shall, for this purpose, be subject to the provisions of section 34 of the Sale Law, 5728-1968, and it shall be regarded as someone who purchased the securities from someone who engages in the sale of assets of the type being sold and for whom the sale was in the ordinary course of business.
- (c) A stock exchange member who sells securities that are cleared through a clearing house on the stock exchange will not be entitled to the consideration that was received for the sale thereof, unless the stock exchange member transfers the securities that were sold as stated above to the clearing house.
- (c1) The provisions of sub-sections (b) and (c) will apply, *mutatis mutandis*, to a transfer of securities cleared through a clearing house, which is one of the following – and for this purpose, the party who sold the securities on the stock exchange will be the transferor for the purpose of the said sub-sections, and the party who purchased the securities on the stock exchange will be the transferee:
  - (1) The transfer by a stock exchange member who purchased the securities on the stock exchange, to another stock exchange member who is holding them for the party for whom the securities were purchased on the stock exchange;
  - (2) The transfer by a stock exchange member who holds the securities for the party for whom the securities are being sold on the stock exchange, to a different stock exchange member, for the purpose of their sale on the stock exchange.
- (c2) For the purpose of sub-sections (b) and (c), a purchase or sale which constitutes part of a securities repurchase transaction – regarding which it has been agreed that it will be carried out, or regarding which a right has been granted to carry it out, at the end of a period which has been agreed to in advance or upon the fulfillment of a condition which has been established in advance – will also be viewed as a purchase or sale on the stock exchange, as relevant; for this purpose, the term a “securities repurchase transaction” will have the same meaning as it is given in the Agreements Regarding Financial Assets Law, 5766-2006.
- (d) A pledge of securities that serves as collateral for a clearing house member’s obligation to the clearing house will be valid against other creditors of the clearing house member, and it shall be regarded as a senior fixed lien, provided that one of the following conditions is satisfied:
  - (1) The securities are registered with a financial agent – including with the clearing house itself - in favor of the clearing house in whose favor the



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The Securities Law, 1968

securities were pledged, or they are registered in favor of the clearing house as aforesaid with a nominee company;

- (2) The securities are registered with a financial agent - who is not the clearing house in favor of which the securities were pledged - in favor of a the clearing house member and the financial agent has committed itself as follows vis-à-vis the clearing house in favor of which the securities were pledged:
  - (a) To act in accordance with the instructions of the clearing house, without needing to obtain the consent of the clearing house member, provided that the financial agent has received clearing house member's prior consent to so act;
  - (b) Not to act in accordance with the instructions of any person other than the clearing house or the clearing house member;
- (3) The securities are registered in favor of the member of the clearing house at the clearing house in favor of which the securities were pledged, and both of the following conditions are satisfied:
  - (a) The clearing house received the prior consent of the clearing house member to act on its own without needing to receive the member's consent;
  - (b) The clearing house undertook, vis-à-vis the clearing house member, not to act in accordance with the instructions of any person other than itself and the clearing house member.
- (e) The clearing house may realize a pledge of securities, which serves as collateral for an obligation of a member of a clearing house or another person to a clearing house, even without an order of a court or of the Chief Judgment Enforcement Officer as stated in section 17 of the Pledge Law, 5727-1967, by way of a sale of the securities on a stock exchange or by any other reasonable commercial method, provided that one of the following applies with regard to the pledge of the securities:
  - (1) The condition described in sub-section (d)(1) has been satisfied;
  - (2) The securities are registered with a financial agent who is not the clearing house in whose favor the securities were pledged, in favor of the person making the pledge, and the financial agent has undertaken to the clearing house in whose favor the securities were pledged that it will act in accordance with the instructions of the clearing house, without any need to obtain the consent of the party that pledged the securities, provided that the financial agent received the prior consent to such commitment from the party that pledged the securities;



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The Securities Law, 1968

- (3) The securities are registered in the name of the party that pledged the securities, at the clearing house in favor of which the securities were pledged;
- (4) The party who pledged the securities has given the clearing house a power of attorney to grant rights in the aforesaid securities to another party.
- (f) The clearing house may realize a pledge in accordance with the provisions of sub-section (e) without giving prior notice to the party that pledged the securities of its intention to realize the pledge; the clearing house shall deliver a notice of the realization, shortly after it is carried out, to the party that pledged the securities.
- (g) The clearing house is liable to a party pledging securities for any damage that is incurred by that party on account of any realization of the pledge that is not in accordance with the provisions of sub-sections (e) and (f).
- (h) The provisions of this section shall apply notwithstanding the provisions of any law, including the Companies Ordinance [New Version], 5743-1983, the Pledge Law, 5727-1967, and the Companies Law, , and they shall apply also with regard to a right in a security; however, nothing in the provisions of this section shall detract from the right of a clearing house to act in accordance with the provisions of any other law with regard to the pledging and realizing of securities.
- (i) Nothing in the provisions of sub-section (d) shall detract from the validity of a pledge of securities that serves as collateral for an obligation of a member of the clearing house to a third party, if before the entry into force of the Securities Law (Amendment No. 26), 5765-2004, the pledge was valid vis-à-vis other creditors of the member of the clearing house, pursuant to the provisions of any law.

**50B. Obligations of a clearing house**

(Amendment: 5768)

A clearing house, as defined in section 50A, will be responsible for fulfilling the conditions and requirements applicable to it pursuant to the provisions of this Law, including the following conditions:

- (1) The formulation of rules that will ensure the stability, efficiency and proper functioning of the clearing house, including rules regarding the continued membership in the clearing house of a member who has been approved by the clearing house as a clearing house member (in this section – a clearing house member), but against whom liquidation proceedings are being conducted. The rules shall include a reference to the means to be used for their enforcement;
- (2) The operation of the clearing house in a manner that will ensure its stability, efficiency and proper functioning;



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The Securities Law, 1968

- (3) The existence of means for managing, preventing and reducing risks that could arise or which exist at the clearing house;
- (4) The existence of back-up arrangements at the clearing house for emergency situations.

**50C The ISA's supervision of clearing house activities**

(Amendment: 5768)

- (a) The ISA will supervise a clearing house, as defined in section 50A, so as to ascertain its stability and efficiency as described in section 10 of the Payment Systems Law, 5768-2008; for this purpose, the ISA will examine, *inter alia*, the clearing house' compliance with the provisions of section 50B and of this section, and the appropriateness of the clearing house' rules.
- (b) If the ISA determines that a clearing house has failed to carry out one of the requirements in section 50B, the ISA may, after giving the clearing house and the clearing house members, as defined in section 50B(1), an opportunity to state their positions, order the clearing house to comply with the said requirement in a manner and by a time that the ISA will order, and it may, *inter alia*, instruct it to enact rules or to change them, in accordance with the provisions of section 50B, or to operate the clearing house in accordance with the provisions of the said section.
- (c) If a clearing house fails to comply with an instruction given it by the ISA pursuant to sub-section (b) regarding the enactment of rules or the making of changes thereto, the ISA may enact or change such rules itself; if the ISA has enacted or changed such rules pursuant to this sub-section, it will notify the clearing house of such and will publicize the rules that were enacted or changed as stated, or post a notice of such, on the ISA website; the clearing house will inform the clearing house members, as defined in section 50B(1), of the enactment of rules or of the changes in them, in accordance with the clearing house' rules; the rules or changes will enter into force on the date established in the said posting or notice.
- (d) The Chairman of the ISA, or whoever the Chairman has authorized for such purpose, may require of a clearing house or of a clearing house member, as defined in sub-section 50B(1), at a time and in a manner that the Chairman or authorized party orders, that they deliver any information or document which the ISA requires in order to carry out the provisions of this section, including information regarding the amount and scope of the payment orders that the clearing house had received or carried out, or information regarding the clearing house rules – provided that the Chairman or authorized party does not require information which could lead to the disclosure of the identity of a party receiving services from the clearing house member, unless such disclosure is, in the view of the Chairman of the ISA, essential for the implementation of the provisions of this section.



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The Securities Law, 1968

- (e) In this section, the term “clearing house rules” shall mean the rules according to which the clearing house operates.

**51 The ISA’s supervision of the activities of a stock exchange**

(Amendment: 5748)

- (a) The ISA shall supervise the orderly and fair operation of a stock exchange.
- (b) If the ISA is of the opinion, after first having granted the chairman of board of directors of a stock exchange a proper opportunity to be heard, that the stock exchange is operating contrary to the provisions of its by-laws or its directives, or in a manner that undermines its orderly and fair operation, the ISA shall approach the stock exchange and direct it as to the proper manner of operation.
- (c) A stock exchange shall submit reports on its activities to the ISA at the times and in accordance with the particulars prescribed by the ISA, and shall provide the ISA, upon demand, with information on the affairs of the stock exchange.
- (d) A representative of the ISA may be present at the general meetings of a stock exchange, at the meetings of the board of directors and at the meetings of its committees.

**52. Definition**

(Amendment: 5760)

In this Chapter, the term “securities” shall include securities not included in the definition in section 1, including units of a closed fund within the meaning of the Joint Investment Trust Law.

**Chapter 8A:  
Limitations of Use of Inside Information**  
(Amendment: 5741)

**52A Definitions**

(Amendments: 5741, 5748, 5751, 5767)

In this Chapter:

“**Company**”

shall mean a corporation the securities of which were offered to the public under a prospectus or are traded on the stock exchange and which are held by the public, including a subsidiary or an associate thereof;

“**Securities**”

shall have the meaning given to the term in section 52;



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| <b>"Underlying asset"</b>                        | The Securities Law, 1968 shall mean the asset to which an obligation in a security is referenced.  |
| <b>"Inside information"</b>                      | information regarding a development or expected development in a company or regarding a change or expected change in its situation, or any other information regarding a company, which is not known to the public and which, if it became known to the public, might cause a significant change in the price of the company's securities, or in the price of a different security for which the company's security is the underlying asset;   |
| <b>"Insider"</b> , in a company -                | <ol style="list-style-type: none"><li data-bbox="574 705 1395 947">(1) A director, general manager, a major shareholder in the company or any other person whose status or function in or relations with the company gives him or her access to inside information on or within six months prior to the <b>determinative day; for this purpose, "the determinative day"</b> means the day on which use is made of the inside information;</li><li data-bbox="574 957 1395 989">(2) A family member of one of those listed in section (1);</li><li data-bbox="574 999 1395 1062">(3) A corporation controlled by one of those listed in sections (1) and (2);</li></ol> |
| <b>"Major shareholder,"</b> in a company         | a shareholder who holds five per cent or more of the nominal value of the issued share capital or of the voting power or who may appoint one or more directors; –  |
| For this purpose -                               |  |
| <b>"Holding"</b>                                 | means holding, alone or together with others, whether directly or indirectly, by means of a trustee, trust company or nominee company or by any other means; with regard to a holding by a company - also the holding by a subsidiary, and with regard to a holding by a person –a person's holding together with the holdings of family members residing with the person or with the holdings of those for whose support the person is responsible, shall be regarded as one person's holding;  |
| <b>"Holding securities together with others"</b> | the holding of securities by two or more parties pursuant to an agreement, whether written or oral;  |
| <b>"Transaction"</b>                             | a sale, purchase, or conversion of a security, or a subscription for a security or an undertaking with regard to any such act,   |



The Securities Law, 1968

whether the party performing the act does so for the party's own benefit or for the benefit of others, and even if the said person acts through an agent or trustee.

**52B. The use of inside information**

(Amendments: 5741, 5748, 5767, 5771(2))

- (a) A person who does any of the following makes use of inside information:
- (1) While being in the possession of inside information or while the company is in possession of inside information, carries out a transaction in a security of a company - other than the security of a subsidiary or associated company which has not issued securities to the public under a prospectus, or the securities of which are not traded on a stock exchange, or carries out a transaction in a different security for which the company's security serves as an underlying asset;
  - (2) While being in the possession of inside information, delivers inside information or an opinion regarding a security of a company or regarding a different security for which the company's security serves as an underlying asset, to any party whom the person delivering such information or opinion knows, or has reasonable grounds to assume, will make use of the inside information or will use the opinion for purposes of a transaction, or will pass it on to another party.
- (b) A corporation shall be regarded as having access to or as being in possession of inside information, if a director or employee of the said corporation has access to or is in possession of inside information, unless the following conditions are met:
- (1) The corporation has established and adequately published directives according to which -
    - (a) a director or employee engaged in carrying out transactions in securities or in giving opinions or advice with regard to securities, may not, on the corporation's behalf, perform a function that involves access to inside information;
    - (b) a director or employee in the possession of inside information may not, on behalf of the corporation, carry out a transaction in the securities of the company to which the inside information relates or in different securities for which the company's securities serve as an underlying asset, and may not give an opinion or advice in regard to such securities;
    - (c) a director or employee referred to in subsection (b) may not pass inside information in his or her possession to any person whom he or she knows, or has reasonable grounds to assume, will make use





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The Securities Law, 1968  
thereof for purposes of a transaction or for giving an opinion, or  
who will pass it on to another;

- (d) a director or employee referred to in subsection (b) may not pass inside information to any other person, even if not mentioned in subsection (c), unless doing so is necessary for the purposes of carrying out his or her functions in the corporation;
- (2) For purposes of sections 1(b) through (d), a “transaction” does not include a transaction in respect of which a defense is provided under sections 52G(a)(1) through (4), (6) or (8);
- (3) Arrangements necessary to ensure compliance with the provisions referred to in section (1) have been made at the corporation, and there is internal control for the purpose of ascertaining that such arrangements are followed.

**52C. The use of information by an insider**

(Amendments: 5741, 5758, 5771(2))

- (a) An insider in a company may not make use of inside information;
- (b) An insider in a company who makes use of inside information which is in the insider’s possession, in contravention of the provisions of sub-section (a), shall be punishable by imprisonment for a term of five years or a fine equal to five times the fine stipulated in section 61(a)(4) of the Penal Law, 5737-1977 (hereinafter - the Penal Code) – and if the insider is a corporation, a fine equal to twenty-five times the amount of the fine stipulated in that section.

**52D Use of inside information the source of which is an insider**

(Amendments: 5741, 5758, 5771(2))

- (a) A person may not make use of inside information which the person received, either directly, from an insider in a company;
- (b) A person who makes use of inside information which the person received, either directly, from an insider in a company, in contravention of the provisions of sub-section (a), shall be punishable by imprisonment for a term of two years or a fine equal to two and one half times the fine stipulated in section 61(a)(3) of the Penal Law, 5737-1977 (hereinafter - the Penal Code) – and if the insider is a corporation, a fine equal to twelve and one half times the amount of the fine stipulated in that section;



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The Securities Law, 1968

**52E Presumption regarding the use of inside information**

(Amendments: 5741, 5758, 5767, 5771(2))

- (a) If a key insider purchases securities of the company in which he or she is a key insider or other securities for which the company's securities serve as an underlying asset within three months from the day on which he or she sold securities of the said company, or sells such securities within three months from the day on which he purchased such securities, such purchase or sale shall be *prima facie* evidence that he or she made use of inside information which is in his or her possession, unless he or she proves that he or she was not in the possession of inside information at the time of the sale or purchase, or under the circumstances of the case it is reasonable to assume that he or she was not in the possession of inside information at the time.
- (b) For purposes of this section, "a company's key insider" shall mean -
- (1) A director, a general manager, a deputy general manager, an assistant general manager, an accountant, an internal controller and any person carrying out one of the said functions under a different title, and any person who is a major shareholder in the company;
  - (2) A family member of any person mentioned in section (1);
  - (3) A corporation controlled by any person mentioned in sections (1) and (2).

**52F Information not regarded as inside information**

(Amendment: 5741)

- (a) No information shall be regarded as inside information if a report of such information has been submitted to the ISA or to a stock exchange and the ISA or stock exchange has published the same, or the same has been published in some other accepted manner for bringing information of this nature to the knowledge of the public, and one stock exchange trading day has passed since the date of publication as aforesaid; if the ISA or stock exchange has not published the information within four days from the day it was reported, the said information shall cease to be inside information at the expiration of that period.
- (b) The party alleging that information has been submitted or published as stated in subsection (a) will bear the burden of proof regarding such allegation.

**52G. Defenses**

(Amendments: 5741, 5748, 5767, 5771(2))

- (a) A person shall not bear criminal responsibility or be liable under section 52C(a), 52D or section 52H if he or she proves one of the following:



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The Securities Law, 1968

- (1) The only purpose of the transaction that the person carried out was the acquisition of qualifying shares which, according to the company's by-laws, a director must acquire as a prerequisite to his or her appointment;
  - (2) The transaction that the person carried out was a *bona fide* act within the scope of the person's functions as a liquidator, receiver or trustee in bankruptcy, or for purposes of realizing assets provided as collateral;
  - (3) That the transaction that the person carried out constitutes a *bona fide* implementation of an underwriting agreement;
  - (4) That the purpose of using the inside information was not, or was not primarily, the obtaining of a profit or the avoidance of a loss to himself or herself or to another;
  - (5) That the person entered into the transaction regarding the securities of the company about which he or she had inside information or regarding other securities for which the company's securities serve as an underlying asset as the agent of another, without the person carrying out the transaction exercising his or her own discretion, or without having provided information or an opinion which could have brought about the entry into the transaction;
  - (6) The person carried out the transaction outside a stock exchange, with a person who was also in possession of the inside information;
  - (7) That the transaction was carried out on behalf of the insider by a trustee acting by way of a blind trust; for this purpose, "blind trust" means a trust exercised at the sole discretion of the trustee and without intervention by the insider;
  - (8) (Deleted);
  - (9) The transaction was justified under the circumstances of the case.
- (b) A corporation shall not bear criminal responsibility under this Chapter, nor be liable under section 52C(a), 52D or section 52H, even if a director or employee thereof has access to or is in possession of inside information concerning the corporation the security of which is the subject of the transaction or opinion, provided that it is proven that the decision to enter into the transaction or to give the opinion was not taken by the director or employee in possession of the information, and that there is a reasonable explanation for the transaction having been carried out or for the opinion having been given.



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The Securities Law, 1968

**52H Profit from use of inside information**

(Amendment: 5741)

- (a) Where a profit accrues to a person from a transaction that such person or another person carried out while making use of inside information, the company in respect of whose security the transaction was effected may claim such profit from such person.
- (b) A profit, for the purpose of subsection (a), is the amount of the difference between the price charged for the security in the transaction, and the price thereof immediately after the inside information became known to the public

**52I. Security transactions by an employee of a stock exchange member**

(Amendments: 5741, 5748)

- (a) In this section –

“**Employee of a stock exchange member**” shall mean a director or an employee of a stock exchange member, the director or employee’s spouse, or any other family member who is economically dependent on the director or employee, and a corporation controlled by any of these;

“**Security**” shall mean a share or a security that can be realized or converted into a share listed for trading on a stock exchange.

- (b) An employee of a stock exchange member shall not buy or sell a security save in the course of trading on a stock exchange, by means of written instructions submitted by such employee at least one day before the purchase or sale.
- (c) An employee of a stock exchange member shall hold his or her securities in an account in his name with the stock exchange member.
- (d)
  - (1) A director or employee of a stock exchange member whose function involves affecting transactions in securities on behalf of others shall give the written instructions referred to in subsection (b) solely through that stock exchange member; if the stock exchange member has more than one branch, the director or employee shall give the instructions at the branch at which he is employed;
  - (2) Other employees of a stock exchange member shall submit all instructions referred to in subsection (b) through a single stock exchange member only; if that stock exchange member has more than one branch - the instructions shall be submitted through one branch only, in which the account of the said employee shall be maintained.



The Securities Law, 1968

- (e) The Minister of Finance may, after consultation with the ISA and with the approval of the Knesset Finance Committee, prohibit trading in securities by the employees of stock exchange members, either generally or in respect of particular categories of employees or securities, or according to any other classification, and the Minister may establish a meaning for the term “trade” for this purpose.

**52J. Validity of transaction**

(Amendment: 5741)

No transaction shall be invalid only because it constitutes an offense under the provisions of this Chapter.

**Chapter 8B:  
Liability arising from the violation of provisions**

(Amendment: 5748)

**52K Liability of issuer**

(Amendment: 5748, 5754)

- (a) An issuer shall be liable towards a holder of securities that it has issued, for any damage caused to the said holder by virtue of the issuer’s violation of the provisions of this Law or of regulations enacted hereunder, or by the violation of the provisions of a trust deed according to which the issuer owes a duty to the trustee for the holders of certificates of indebtedness issued by the said issuer.
- (b) Liability under subsection (a) shall also be imposed on the directors of the issuer, its general manager, and on a controlling shareholder in the issuer.

**52L. Liability of a trustee**

(Amendment: 5748)

A trustee for the holders of certificates of indebtedness shall be liable to any such holder of a certificate of indebtedness for any damage caused to such holder as a result of the trustee’s violation of any provision in Chapter 5A or of regulations enacted thereunder, or for the breach of any duty imposed on the trustee by virtue of the trust deed.

**52M. Release from liability**

(Amendment: 5748)

Liability under sections 52K and 52L shall not apply:

- (1) To any person who has proven that he or she has taken all appropriate measures to prevent the violation;
- (2) To a person who has proven that he or she had no knowledge of the violation, nor was he or she under an obligation to know nor had any way of knowing of the same;



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The Securities Law, 1968

- (3) Vis-à-vis a holder of securities a person regarding whom it is proven that the said person acquired the issuer's securities when he or she knew or ought to have known of the violation.

**52N Multiple liability**

(Amendment: 5748)

Where two or more persons are liable under sections 52K and 52L, they will be liable jointly and individually to the injured person for the damage; their liability *inter se* shall be governed by the rules applicable to liability in tort.

**52N1 Deferral of payment of debt to controlling shareholder of a reporting corporation in distress**

(Amendment: 5771(1))

- (a) A controlling shareholder of a reporting corporation in distress who holds certificates of indebtedness issued by the corporation, will not be entitled to receive payment of the liabilities owed to him by the corporation until after the corporation has discharged, in full, its debts to other holders of certificates of indebtedness, including interest and linkage increments, as stipulated in the trust deed; in this section –

“Reporting corporation in distress” – a reporting corporation which has given notice that it is unable to pay its liabilities pursuant to certificates of indebtedness, a reporting corporation that has not paid its liabilities pursuant to certificates of indebtedness or a reporting corporation undergoing liquidation proceedings or asset receivership pursuant to the Companies Ordinance [New Version] – 1983;

“Holding” – as defined in section 1, other than holding of certificates of indebtedness held by controlling shareholder of a reporting corporation in distress in one of the following manners:

- (1) Through a company whose shares are held by the reporting corporation in distress that has issued certificates of indebtedness, provided that the other shareholders in such company are not controlled by a controlling shareholder of the reporting corporation in distress;
- (2) Through one of the investors listed in items (1) through (4) of the First Schedule;
- (3) In trust for another party, provided that the other party is not a controlling shareholder of the reporting corporation in distress;

“Certificates of indebtedness” – as defined in section 35A;



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The Securities Law, 1968

- (b) The provisions of sub-section (a) will not apply if one of the following conditions is met:
- (1) A settlement or arrangement approved in a special resolution of the holders of the certificates of indebtedness in the same series provides otherwise, or a settlement or arrangement approved pursuant to section 350 of the Companies Law provides otherwise; the votes of the controlling shareholders holders who hold certificates of indebtedness will not be counted at such a meeting;
  - (2) The controlling shareholder has held the certificates of indebtedness since they were first issued.

**Chapter 8-C:**  
**Imposition of Financial Sanctions by the ISA**  
[Amendment 5767 (2), 5771(2)]

**520. Financial sanctions**  
[Amendments: 5771(2)]

- (a) If a person commits a violation one of the provisions of this Law that apply to such person, as described in the Fifth Schedule (in this chapter – an offender and a violation, respectively) the ISA may impose a financial sanction on the offender pursuant to the provisions of this Chapter, in the amount specified regarding such in the Fifth Schedule;
- (b) The amount of the financial sanction for an offender which is one of the corporations listed below will be determined according to the Sixth Schedule, in accordance with the ranking given it according to the classification in that Schedule; the corporation's ranking will be determined, for the purpose of the Sixth Schedule, as described below, as is relevant:
- (1) Regarding a reporting corporation or a corporation which is not a reporting corporation and which has offered its securities to the public – its ranking will be determined according to the corporation's equity in accordance with either its most recent financial statements that it submitted to the ISA pursuant to this Law, or in accordance with its financial statements included in a draft prospectus, prospectus or registration document pursuant to which the corporation's securities were offered to the public, and which were submitted prior to the date on which the violation was committed – whichever is later;



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The Securities Law, 1968

- (2) Regarding a corporation which is an underwriter – its ranking will be determined in accordance with the scope of its underwriting commitments according to the last report that it submitted to the corporation pursuant to this Law prior to the commission of the violation, and if it has not been required to submit such a report – it will be given an A ranking;
- (3) Regarding a corporation whose primary occupation is the issuance of financial products - its ranking will be determined in accordance with the value of its net liabilities in accordance with either its most recent financial statements that it submitted to the ISA pursuant to this Law, or in accordance with its financial statements included in a draft prospectus, prospectus or registration document pursuant to which the corporation's securities were offered to the public, and which were submitted prior to the date on which the violation was committed – whichever is later; for this purpose –

“financial product” – a security whose value is derived from the value of an underlying asset;

“securities” – as defined in section 52;

“underlying asset” – as defined in section 52A; for this purpose an “asset” is a security, interest, currency, commodity, index or any combination thereof;

“value of net liabilities” – the total value of all certificates of indebtedness listed for trade on the stock exchange, less the value of the certificates of indebtedness that do not grant any rights to their holder;

**52P. Notice of an intention to charge**

(Amendment: 5771(2))

- (a) If the ISA has a reasonable basis for believing that a violation has been committed and it intends to impose a financial sanction on the offender pursuant to this Chapter, the offender will be given a notice regarding the ISA's said intention (in this Chapter – a notice of an intention to charge), provided that less than one year has passed since the date on which the ISA has discovered that the violation was committed, or that three years have not yet passed since the date on which the violation was committed, whichever was earlier.
- (b) In the notice of an intention to charge, the ISA will indicate, *inter alia*, the following:
- (1) A description of the act or omission (in this Chapter – the act) which constitutes the violation;





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The Securities Law, 1968

- (2) The amount of the financial sanction that can be imposed on the offender with respect to the violation and the period for which its payment, in accordance with the provisions of section 52V;
- (3) The offender's right to argue the offender's case before the ISA, in accordance with the provisions of section 52Q;
- (4) The amount of an addition to the financial sanction, due to the violation having been a continuing or repeat violation, in accordance with the provisions of section 52S.

**52Q Right to argue**

(Amendment: 5771(2))

An offender who has received a notice of an intention to charge may argue in writing, to the ISA, against the intention to impose the financial sanction and against the amount thereof, within 30 days from the date on which the notice was delivered.

**52R The ISA's decision and a demand for payment**

(Amendment: 5771(2))

- (a) The ISA will decide, after considering the offender's arguments made pursuant to the provisions of section 52Q, whether to impose the financial sanction on the offender, and it may reduce the amount of the financial sanction pursuant to the provisions of section 52T(b).
- (b)
  - (1) If the ISA has decided, pursuant to sub-section (a), to impose a financial sanction on the offender, it will deliver a demand to pay the financial sanction (in this Chapter – a demand for payment) to the offender; in the demand for payment, the ISA will indicate, *inter alia*, the updated amount of the financial sanction which the offender is required to pay, as stated in section 52U, and the date for its payment pursuant to the provisions of section 52V.
  - (2) If the ISA has decided, pursuant to sub-section (a), not to impose a financial sanction on the offender, it will deliver a notice of such to the offender.

**52S Continuing violations and repeat violations**

(Amendment: 5771(2))

- (a) In the case of a continuing violation, an additional two percent will be added to the amount of the financial sanction for each day during which the violation continues.
- (b) In the case of a repeat violation, the offender will be charged the amount which could have been imposed if the violation had been a first time violation, with the



### The Securities Law, 1968

addition of an amount equal to one half of that amount; for this purpose, the term “repeat violation” shall mean the violation of one of the provisions of this Law as described in the Fifth Schedule, which is committed again within two years after a previous commission of the same violation for which the ISA imposed a financial sanction on the offender pursuant to this Chapter, or for which the Administrative Enforcement Committee imposed enforcement measures on the offender pursuant to Chapter 8-D or for which the offender has been convicted.

#### **52T Reduced amounts**

(Amendment: 5771(2))

- (a) The ISA may not impose a financial sanction in an amount lower than those listed in the Sixth Schedule, other than in accordance with the provisions of sub-section (b).
- (b) The Minister of Finance, with the consent of the Minister of Justice, may prescribe cases, circumstances and considerations due to which it will be possible to reduce the amount of the financial sanction listed in the Sixth Schedule, at prescribed maximum rates.

#### **52U Updated amount of the financial sanction**

(Amendment: 5771(2))

- (a) The financial sanction will be in its updated amount on the date of the delivery of the demand for payment; if an appeal is filed against the demand for payment and the payment of the financial sanction is delayed pursuant to section 52Z, the financial sanction will be in its updated amount on the date on which the ISA agreed to the delay in its payment. For the purpose of this sub-section, the term “updated amount” will mean the amount of the financial sanction, including an additional amount due to the violation being a continuing violation pursuant to section 52S, having been updated pursuant to sub-section (b).
- (b) If the percentage change in the CPI between the last CPI published prior to January of the particular year (in this sub-section – the update date) and the CPI for the month of January of 2010 or the CPI on the date of the last update carried out pursuant to this sub-section – whichever is later – exceeds 20 percent, the ISA Chairman may, on the update date, update the equity amounts and the financial sanction amounts specified in the Sixth Schedule, and may round up the said amounts to the closest amount which is a multiple of NIS 1000; for this purpose, the term CPI shall mean the Consumer Price Index published by the Central Bureau of Statistics.
- (c) A notice of the updated amount of the financial sanction will be published in *Reshumot*.



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The Securities Law, 1968

**52V Date for payment of a financial sanction**

(Amendment: 5771(2))

A financial sanction shall be paid within 30 days from the date of delivery of the demand for payment as described in section 52R(b)(1).

**52W Payment of the financial sanction in installments**

(Amendment: 5771(2))

- (a) The ISA may, at the request of the offender, decide to allow the payment of the financial sanction in installments, even if it has decided to allow a reduction pursuant to section 52T(b), provided that the number of installments does not exceed ten monthly installments.
- (b) A monthly payment, as described in sub-section (a) will be updated for the date of its payment, with the addition of linkage and interest increments pursuant to the Adjudication of Interest and Linkage Law-1961 (in this Chapter – linkage and interest increments); if the offender fails to make a monthly payment in a timely fashion, the ISA's decision to allow the payment of the financial sanction in installments as described in sub-section (a) will be deemed to have been revoked, and the provisions of sub-section 52X will apply to the remaining payment of the financial sanction.

**52X Arrears interest**

(Amendment: 5771(2))

If a financial sanction is not paid in a timely fashion, arrears interest pursuant to the Adjudication of Interest and Linkage Law-1961 shall be added to the amount of the sanction, for the period of the delay until the time of its payment.

**52Y Collection**

(Amendment: 5771(2))

The State Treasury will receive the collected financial sanction, and the provisions of the Taxes Ordinance (Collection) will apply to its collection.

**52Z Deferral of payment and reimbursement**

(Amendment: 5771(2))

- (a) The filing of an appeal against the demand for payment pursuant to this Chapter will not serve to defer either the obligation to pay the financial sanction or the obligation to publish the decision or to submit an immediate report pursuant to section 52AA, unless the ISA has agreed to such or unless the Court has ordered such.



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The Securities Law, 1968

- (b) If an appeal as described in sub-section (a) is granted after the financial section has been paid, the amount of the financial sanction will be reimbursed, with the addition of linkage and interest increments, from the date of its payment until its reimbursement.

**52AA Publication and immediate reporting of a demand for payment**

(Amendment: 5771(2))

- (a) If a demand for payment has been delivered to an offender, the ISA will publish, on its website, the decision to impose a financial sanction and the nature of the violation for which the demand for payment was sent and the circumstances thereof, the name of the offender. If the offender is a principal shareholder in a corporation or a senior corporate officer therein – it will also publish the name of the corporation in which the offender is a principal shareholder or senior corporate officer, as well as the amount of the financial sanction imposed on the offender pursuant to the demand for payment.
- (b) If a demand for payment has been delivered to an offender which is a reporting party, a principal shareholder or a senior corporate officer in such a party, the reporting party will publish, in an immediate report pursuant to sections 36(c), 44CC or 56(c)(3), pursuant to section 27C of the Advice Law or pursuant to section 72(a) of the Joint Investment Trust Law, whichever is relevant, the details listed in sub-section (a) regarding the demand for payment; for this purpose, a “reporting party” shall be:
- (1) A reporting corporation;
  - (2) A trustee for certificates of indebtedness as defined in Chapter 5-A;
  - (3) An underwriter;
  - (4) A company holding a platform license as defined in Chapter 7-C;
  - (5) A corporation holding a license pursuant to the Advice Law;
  - (6) A fund manager or trustee pursuant to the Joint Investment Trust Law;
- (c) If a demand for payment has been delivered to a licensee pursuant to the Advice Law or to a banking corporation, the ISA Chairman may order such party to notify the party’s clients as well - as the ISA Chairman shall direct, in accordance with the circumstances of the case – regarding the nature of the violation and the circumstances thereof, and the amount of the financial sanction imposed on such party pursuant to the demand for payment.

**52BB Financial sanction and a criminal proceeding**

(Amendment: 5771(2))

- (a) The payment of a financial sanction pursuant to the provisions of this Chapter will not detract from any person’s criminal liability due to a violation of any provision of this Law.



The Securities Law, 1968

- (b) If an indictment is filed against an offender due to the violation of any provision of this Law, the ISA will not impose a financial sanction pursuant to this Chapter, and if the offender has paid a financial sanction, the offender will be reimbursed for the amount paid, with the addition of linkage and interest increments, through the day of the reimbursement.

**52CC Financial sanction and an administrative enforcement proceeding**

(Amendment: 5771(2))

If a demand for payment has been delivered to an offender pursuant to Chapter 8-C, no inquiry proceeding regarding a violation may be commenced and no administrative enforcement proceeding may be initiated pursuant to Chapter 8-D, with respect to the act for which the demand for payment was delivered.

**52DD Amendment of the Fifth Schedule and the Sixth Schedule**

(Amendment: 5771(2))

- (a) The Minister of Finance may, in an order, and at the suggestion of the ISA or upon consultation with it, and with the consent of the Minister of Justice and with the approval of the Knesset Finance Committee, amend the Fifth Schedule and the Sixth Schedule, provided that the amounts of the financial sanction pursuant to the Sixth Schedule do not exceed the amounts enumerated below, as relevant:
- (1) Regarding a reporting corporation, a reporting corporation that has not offered its securities to the public, a company holding a platform license as defined in Chapter 7-C, or a clearinghouse as defined in section 50A – NIS 1,000,000;
  - (2) Regarding a corporation which is an underwriter – NIS 320,000;
  - (3) Regarding a corporation whose main occupation is the issuance of financial products – NIS 2,000,000;
  - (4) Regarding any other corporation or an individual – NIS 12,000.
- (b) The provisions of section 52U(b) and (c) will apply, *mutatis mutandi*, with regard to the amounts enumerated in sub-section (a).



The Securities Law, 1968

**Chapter 8-D: The Imposition of Administrative Enforcement Measures by the  
Administrative Enforcement Committee**

(Amendment: 5771(2))

**Article A: The Administrative Enforcement Committee**

**52EE Definitions**

(Amendment: 5771(2))

In this Article, a “violation” shall be any of the following:

- (1) A violation of any of provision pursuant to this Law, as specified in the Seventh Schedule;
- (2) A violation as defined in section 38F of the Advice Law;
- (3) A violation as defined in section 119 of the Joint Investment Trust Law;

**52FF The Administrative Enforcement Committee**

(Amendment: 5771(2))

(a) An Administrative Enforcement Committee will be appointed; it will be comprised of six members and its function will be to deliberate and render decisions regarding violations and to carry out any other function imposed on it pursuant to any law (in this Chapter – the Committee). Its composition will be as follows:

- (1) Two ISA employees who are qualified to serve as District Court Judges, who will be appointed by the ISA Chairman;
- (2) Four additional members who will not be ISA members or employees, who will be appointed by the ISA Chairman, of which –

(a) Two members who have expertise regarding the capital market;

(b) Two members who are attorneys with expertise in securities law and companies law;

Provided that with respect to the existence of the restrictions on an appointment described in section 52HH, the Minister of Justice will consult with the ISA Chairman.

(b) A Committee member who has been appointed pursuant to sub-section (a) will serve for a period of three years, and may be re-appointed for no more than two additional terms of office.



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The Securities Law, 1968

**52GG Administrative Enforcement Committee Panels**

(Amendment: 5771(2))

The Committee will deliberate in panels of three members, who will be appointed by the ISA Chairman for a specific matter, and they will be comprised as follows:

- (1) One of the members appointed pursuant to section 52FF(a)(1);
- (2) One of the members appointed pursuant to section 52 FF (a)(2)(a);
- (3) One of the members appointed pursuant to section 52 FF (a)(2)(b);

**52HH Restrictions on an appointment**

(Amendment: 5771(2))

- (a) A person regarding whom one of following conditions is met may not be appointed to serve as a member of the Committee:
  - (1) The person was convicted of a criminal offense or a disciplinary offense, or enforcement measures pursuant to Article C have been imposed on such person because of a violation, and because of the nature, severity or circumstances of the said offense or violation, the person is not suited to serve as a member of the Committee;
  - (2) An indictment or complaint has been filed against the person, or an administrative enforcement proceeding pursuant to Article B has been initiated regarding the person, because of an offense or violation, whichever is relevant, as described in paragraph (1), and no final ruling or decision has been rendered regarding the case;
  - (3) It is likely that the person will frequently be, either directly or indirectly, in a conflict of interest situation with respect to a conflict between the person's position as a member of the Committee and a matter in which the person has a personal interest or a member of the person's family has a personal interest, or between the person's membership on the Committee and a different position that he or she holds; however, the fact that the person is both an ISA employee and a Committee member will not in itself be viewed as being a conflict of interest.
- (b) A person may not be appointed to serve as a member of the Committee pursuant to section 52FF(a)(2) unless the person has declared that he or she is able to devote the time that is required to carry out the function of a Committee member.



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The Securities Law, 1968

**52II Cessation of a member's service and removal from office**

(Amendment: 5771(2))

- (a) A Committee member will cease to serve as such prior to the end of his or her term of office if he or she has ceased to serve in the position because of which he or she was appointed, or if he or she has resigned by delivering a letter of resignation to the ISA Chairman.
- (b) The Minister of Justice, or the ISA Chairman – with the consent of the Minister of Justice – may remove a Committee member from office by written notice, upon the fulfillment of one of the following:
  - (1) One of the restrictions listed in section 52HH(a) has arisen with respect to the Committee member;
  - (2) The Committee member has become unable, on a permanent basis, from carrying out his or her function;
  - (3) Other circumstances have arisen because of which the Committee member is not suited to serve as such.
- (c) The cessation of service does not disqualify the Committee member from concluding a matter on which he or she has begun to deliberate, unless his or her service was concluded because of being removed from office as described in sub-section (b);
- (d) Notwithstanding the provisions of sub-section (c), if a Committee member has been removed from office because one of the restrictions listed in section 52HH(a) applies regarding the Committee member, he or she may conclude a matter that he or she has begun to deliberate, provided that the provisions of section 52KK do not apply to the matter.

**52JJ Compensation**

(Amendment: 5771(2))

The Minister of Finance may establish provisions regarding the payment of compensation to a Committee member who is not an ISA employee or a government employee, for his or her participation in the Committee's meetings and for the work related to such meetings.

**52KK Prohibition on a conflict of interest regarding a particular matter**

(Amendment: 5771(2))

A Committee member may not deliberate on a matter which could cause the Committee member to be, either directly or indirectly, in a conflict of interest between his or her





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### The Securities Law, 1968

position as a Committee member and a matter in which the Committee member has a personal interest or a member of the Committee member's family has a personal interest, or between the Committee member's membership on the Committee and a different position that he or she holds; however, the fact that the Committee member is both an ISA employee and a Committee member will not in itself be viewed as being a conflict of interest.

#### **52LL A member's absence from a panel**

(Amendment: 5771(2))

- (a) If a Committee panel has been appointed to deliberate regarding a violation as described in section 52SS or to approve or nullify an arrangement as described in Article A of Chapter 9-A, each member of the panel shall participate in at least three fourths of the panel's deliberations, and the panel's chairman will take part in all the said deliberations.
- (b) The panel will decide matters by a majority vote; the decisions of a panel composed of only two Committee members under the conditions prescribed in sub-section (a) will be reached unanimously, although a decision pursuant to section 52YY or 54B will be reached with the participation of all members of the panel.
- (c) If the provisions of either sub-section (a) or of sub-section (b) have not been met, all the panel's deliberations and decisions will be void.

#### **52MM Rules of procedure**

(Amendment: 5771(2))

- (a) The Committee will establish, by a majority vote and with the participation of a majority of the Committee members, the rules of procedure for the Committee panels' work.
- (b) The procedural rules and any amendment thereof that are prescribed by the Committee will be published on the ISA's website and will enter into force at the end of 30 days from the date of their publication. However, an amendment of the rules of procedure will not apply to a pending administrative enforcement proceeding; a notice of the publication of the rules of procedure or of any amendment thereof and of the date of their entry into effect will be published in *Reshumot*.

#### **52NN Evidence**

(Amendment: 5771(2))

- (a) The Committee's panels will not be bound by the rules of evidence, other than the rules regarding the competency of witnesses as stated in sections 3 through 5 of the Evidence Ordinance [New Version] – 1971, and regarding privileged



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The Securities Law, 1968

testimony as described in sections 48 through 51 of the said Ordinance, and the panel will consider the evidentiary material brought before it in accordance with its own judgment.

- (b) Notwithstanding the provisions of sub-section (a), a parent and child will be competent to testify against each other, and two spouses will be competent to testify against each other, if both of them have an interest in the same corporation or are corporate officers thereof.

**52OO Confidentiality of the Committee's deliberations and of the material submitted to it**

(Amendment: 5771(2))

The provisions of section 13 will apply to the members of the Committee regarding the Committee's deliberations and the material submitted to it or to its members by virtue of their being Committee members.

**52PP Reporting of the Committee panels' decisions**

(Amendment: 5771(2))

The ISA will report to the Attorney General, once each year, regarding the decisions of the panels of the Administrative Enforcement Committee pursuant to this Chapter; the reporting will be in a format and will include details that the Attorney General will stipulate, and will be published on the ISA's website.

**Article B: Inquiry Regarding a Violation and an Administrative Enforcement Proceeding<sup>18</sup>**

**52QQ Inquiry regarding a violation**

(Amendment: 5771(2))

- (a) If an investigator has a reasonable basis to believe that a person has committed a violation of one of the provisions of this Law that apply to such person, as described in the Seventh Schedule (in this Article and in Articles C and D – an offender and a violation, respectively), the investigator may -
- (1) Apply to a Magistrate Court Judge to issue - to a person who is presumed to hold or to have in such person's possession, an item required for an inquiry regarding the violation – an order instructing the person to present or produce the item to the investigator or to a different investigator, at a time and place and in the manner prescribed in the order;
  - (2) Summon any person whom the investigator believes could have information relating to the violation or to facts that could lead to the disclosure of the

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<sup>18</sup> Articles B, C and D of Chapter 8-D will enter into effect at the time that procedural rules are established for the work of the Administrative Enforcement Committee, pursuant to section 52MM(a) of the Law.



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The Securities Law, 1968

offender, and to ask the person questions regarding the matter; a summons pursuant to this paragraph of a person who is not the offender shall be carried out at a reasonable time which shall be coordinated with the person;

- (3) (a) Apply to a Magistrate Court Judge to issue an order allowing the investigator to enter into any place which does not serve exclusively as a residence, and carry out a search therein and seize an item required for the inquiry regarding the violation, and to access computerized material and copy it, all pursuant to the conditions and qualifications stipulated in the order; The provisions of section 56B(c) through (i) will apply, regarding a search and seizure pursuant to this paragraph, *mutatis mutandi*, and with this further change: in sub-section (e)(1), the words “an indictment has been filed in a proceeding” will be read as “an administrative enforcement proceeding has been initiated pursuant to Article B of Chapter 8-D;
- (b) An order pursuant to this paragraph will not be issued unless one of the following conditions is met:
- (1) An investigator or ISA employee has asked a person to present the item or document pursuant to section 56A(a) or pursuant to an order in accordance with paragraph (1), and the person has not presented the item or document;
- (2) A request as described in sub-paragraph (1) is likely to do impede the inquiry regarding the violation, because of a concern that evidence will be removed or damaged.
- (b) If a person has been summoned pursuant to sub-section (a)(2), the investigator will, prior to his or her being questioned, inform the person of the acts regarding the commission of which he or she is being questioned; however, the person’s responses with regard to the acts of which the person was informed will not be used as evidence in criminal proceedings brought against the person.
- (c) If a person has been summoned pursuant to sub-section (a)(2) and did not appear, the Court, at the request of the investigator, may order the person to be brought to the investigator, or may impose a penalty on the person for non-compliance, as described in section 73 of the Courts Law [Integrated Version] -1984 (in this Law - the Courts Law), as if the person had been summoned to testify in court and had failed to appear.

**52RR Decision to investigate or to conduct an administrative inquiry**

(Amendment: 5771(2))

If the ISA Chairman has a reasonable basis to suspect that an act or omission (in this Chapter – an act) because of which either a criminal investigation could be conducted



### The Securities Law, 1968

pursuant to Chapter J or an administrative inquiry could be conducted pursuant to section 52QQ, the ISA Chairman will decide whether either an investigation or an inquiry will be conducted as stated, in accordance with the following considerations only:

- (1) The severity of the act and its circumstances;
- (2) An assessment of the nature and the strength of the evidence regarding the act;
- (3) The ISA's enforcement policy.

#### **52SS Decision to initiate an administrative enforcement proceeding**

(Amendment: 5771(2))

If the ISA Chairman has a reasonable basis for believing, either because of an inquiry pursuant to section 52QQ or in another manner, that a violation has been committed, the ISA Chairman may, in a reasoned decision in accordance with the considerations stated in section 52RR regarding such violation, decide to initiate an administrative enforcement proceeding and appoint a Committee panel to adjudicate the violation.

#### **52TT Notice of initiation of an administrative enforcement proceeding**

(Amendment: 5771(2))

- (a) The chairman of a panel which has been appointed pursuant to section 52SS will deliver a notice to the panel and to the offender regarding the initiation of the administrative enforcement proceeding pursuant to this Part.
- (b) The chairman will indicate, in the notice of the initiation of the administrative enforcement proceeding, the following matters, among others:
  - (1) A specification of the act constituting the violation, and a summary of the facts and circumstances on which it is based;
  - (2) A specification of the enforcement measures which may be imposed on the offender due to the violation, in accordance with the provisions of Article C;
  - (3) The offender's right to receive all the information that has been transmitted to the panel, in accordance with the provisions of section 52UU;
  - (4) The offender's right to present his or her arguments to the panel, in accordance with the provisions of sections 52VV and 52WW;

#### **52UU The right to receive information**

(Amendment: 5771(2))

- (a) The ISA Chairman will transmit to the panel all the information regarding the violation which, in the view of the ISA Chairman, is needed for the purpose of



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The Securities Law, 1968

- conducting the enforcement proceeding, before the first deliberation in the proceeding;
- (b) An offender to whom the ISA Chairman has delivered a notice of an the initiation of an administrative enforcement proceeding will be entitled to receive all the information regarding the violation that has been transmitted to the panel as described in sub-section (a), and the said information will be made available to such offender at the ISA from the date of the delivery of the said notice;
  - (c) Without detracting from the provisions of sub-section (b), an offender will also be entitled to receive any information that the panel receives while the proceeding is being conducted;

**52VV The right to present arguments**

(Amendment: 5771(2))

An offender to whom the ISA Chairman has delivered a notice of the initiation of an administrative enforcement proceeding may present arguments to the panel regarding this matter, in writing, within 45 days from the date on which the notice was delivered.

**52WW Proceedings before the panel**

(Amendment: 5771(2))

- (a) An offender will have the right to be present at all the panel's deliberations during the proceeding;
- (b) Once the offender has presented arguments in writing to the panel in accordance with the provisions of section 52VV, the offender will be entitled to make an oral presentation of the arguments before the panel.
- (c) The panel may, in special circumstances, including at the request of the offender, summon additional persons to appear before the panel and to provide it with information which the panel requires for the purpose of making its decision; the offender will be entitled to be present during the deliberation to which such a person has been summoned, to receive such information and to make an oral presentation of arguments before the panel.
- (d) If a person has been summoned pursuant to the provisions of sub-section (b) and did not appear, a Court may, at the panel's request, order that the person be brought before the panel, or impose a penalty on the person for non-compliance, as prescribed in section 73 of the Courts Law, as if the person had been summoned to appear before a court and had failed to appear.
- (e) The party injured by the violation will not be a party to the proceeding, although the panel may summon the injured party to appear before the panel in accordance with the provisions of sub-section (c).



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The Securities Law, 1968

**52XX Minutes**

(Amendment: 5771(2))

Minutes will be prepared of all the panel's deliberations, which will reflect all that was said and all that occurred at the deliberation, and regarding the proceeding, including the panel's questions and comments; the offender will be entitled to receive a copy of the minutes at the end of the deliberation or shortly thereafter.

**52YY The panel's decision**

(Amendment: 5771(2))

- (a) The panel's decision, rendered at the end of the proceeding, will include written reasons for such decision, and it will be sent to the offender; a decision in which enforcement measures are imposed pursuant to Article C will include the reasons for choosing the type of the said enforcement measures, in accordance with the considerations listed in section 52ZZ, with respect to the violation;
- (b) If the panel has decided to impose enforcement measures on the offender, the decision will specify the date on which the decision will enter into effect, which will be at the earliest 60 days from the date on which the decision was rendered, and it may establish different dates for its entry into effect with respect to different enforcement measures; a Court may, at the request of the panel's chairman, order that the said date for the decision's entry into force be moved ahead if the chairman believes that the circumstances of the case justify such a change in the date.
- (c) If a panel has decided, for reasons that will be specified in its decision, to ask a Court to extend the period during which the offender's service will be prohibited or subject to conditions pursuant to sections 52DDD(a) or 52EEE(1) or to ask that a license, approval or permit be revoked pursuant to section 52EEE(2), it will note such in its decision.

**Article C: Imposition of Administrative Enforcement Measures<sup>19</sup>**

(Amendment: 5771(2))

**52ZZ Imposition of administrative enforcement measures**

(Amendment: 5771(2))

If a panel finds that a violation has been committed, it may impose one or more of the administrative enforcement measures specified in this Article on the offender, subject to the provisions of section 52GGG; the panel will choose the enforcement measure and the

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<sup>19</sup> Articles B, C and D of Chapter 8-D will enter into effect at the time that procedural rules are established for the work of the Administrative Enforcement Committee, pursuant to section 52MM(a) of the Law.



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The Securities Law, 1968

degree thereof, out of the enforcement measures described in this Part, in accordance with the following considerations only:

- (1) The facts that constitute the violation;
- (2) The other factual circumstances that have been proven during the panel's deliberations regarding the violation, including the scope of the violation, the profit it produced or the loss it prevented, and the damage caused as a result of the violation;
- (3) The presence or absence of previous violations;
- (4) The action taken by the offender upon the discovery of the violation, including whether the offender desisted from continuing the violation on his, her or its own initiative and reported the violation to the ISA, and whether the offender took action to prevent a repetition of the violation and to minimize the damage caused as a result of the violation.
- (5) The offender's personal circumstances that led to the commission of the violation or other exceptional personal circumstances;
- (6) The ISA's enforcement policy.

**52AAA Financial sanction**

(Amendment: 5771(2))

- (a) A panel may impose a financial sanction on an offender in the maximum amounts described below, as relevant:
  - (1) Regarding a violation listed in Part A of the Seventh Schedule – NIS 2,000,000 for a corporation, NIS 25,000 for an individual employee of the corporation who is not a senior corporate officer therein and NIS 400,000 for any other individual;
  - (2) Regarding a violation listed in Part B of the Seventh Schedule – NIS 3,000,000 for a corporation, NIS 25,000 for an individual employee of the corporation who is not a senior corporate officer therein and NIS 600,000 for any other individual;
  - (3) Regarding a violation listed in Part C of the Seventh Schedule – NIS 5,000,000 for a corporation and NIS 1,000,000 for an individual.
- (b) The provisions of sections 52U, 52X and 52Y will apply regarding a financial sanction imposed pursuant to this section, *mutatis mutandi*, and with the following additional changes: in section 52U -



The Securities Law, 1968

- (1) In sub-section (a), the words “on the date of the delivery of the demand for payment” will be read as if the text was “on the date the decision was rendered,” the words “against the demand for payment” will be replaced by “against the decision pursuant to chapter 8-D,” the words “pursuant to section 52Z” will be replaced by “pursuant to a court decision” and the end of the sub-section, beginning with the words “on which the ISA agreed” will be replaced by “on which the Court agreed to the said delay”;
- (2) In sub-section (b), the words “the equity amounts and the financial sanction amounts specified in the Sixth Schedule” will be read as if the text was “the financial sanction amounts prescribed in section 52AAA(a).”

**52BBB Payment to the party injured by the violation**

(Amendment: 5771(2))

- (a) A panel may require that the offender pay a person who has been appointed pursuant to sub-section (d) (in this section – the administrator) an amount as specified below, as relevant, which will be distributed among those injured by the violation, in a manner directed by the administrator:
  - (1) If a final sanction has also been imposed on the offender pursuant to section 52AAA for the same violation – the higher of the following amounts:
    - (a) The amount of the damage caused to all the parties injured by the violation, up to an amount which is twenty percent of the amount of the financial sanction imposed on the offender;
    - (b) The amount of the profit or benefit, including the prevention of a loss, that the offender obtained either directly or indirectly, as a result of the commission of the violation, provided that the amount does not exceed the amount of the maximum financial sanction that can be imposed with respect to the violation;
  - (2) If no final sanction has been imposed on the offender pursuant to section 52AAA for the same violation – in an amount of the profit or benefit described in paragraph (1)(b), provided that the amount does not exceed the amount of the maximum financial sanction that can be imposed with respect to the violation;
- (b) The provisions of section 52X will apply, *mutatis mutandi*, to the matter of a payment pursuant to this section, and and the provisions of the Taxes Ordinance (Collection) will apply to its collection.
- (c) The administrator will decide the manner in which the payment pursuant to this section will be divided among the parties injured by the violation;





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The Securities Law, 1968

- (d) The Minister of Justice, after consulting with the ISA and with the approval of the Knesset Finance Committee, may establish provisions regarding –
- (1) The appointment of the administrator, including the party that will appoint the administrator and the qualifications for his or her appointment;
  - (2) The manner in which the administrator will carry out his or her function, including the manner in which the parties injured by the violation will approach the administrator and the manner in which the administrator will conduct an inquiry regarding the amount of the damage and its distribution among the parties injured by the violation, and the reports that the administrator will be required to deliver in connection with the execution of his or her function;
  - (3) The administrator's compensation and expenses.

**52CCC Taking measures to correct the violation and to prevent its repetition**

(Amendment: 5771(2))

A panel may instruct the offender regarding the measures that the offender must take to correct the violation and to prevent its repetition, and it may require that the offender deposit a guarantee to ensure that such actions are carried out; if the panel is persuaded, or if another Committee panel is persuaded that the offender has not carried out the actions that the panel has so ordered, the guarantee that has been deposited will be forfeited.

**52DDD Prohibition against serving as a senior corporate officer in a supervised entity**

(Amendment: 5771(2))

- (a) If a panel has found that an offender who has committed a violation of one of the provisions listed in Part C of the Seventh Schedule is not fit to serve as a senior corporate officer of one of the entities listed below (in this section – a supervised entity), the panel may determine that the offender will not be able to serve as a senior corporate officer for a period which will not exceed one year - and if a Court gives approval of such, for a period not to exceed five years - from the date on which the panel's decision enters into effect:
- (1) A corporation which is a licensee pursuant to the Advice Law;
  - (2) A fund manager or trustee as defined in section 4 of the Joint Investment Trust Law;
  - (3) A reporting corporation;
  - (4) An underwriter;



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The Securities Law, 1968

- (5) A company holding a trading platform license as defined in Chapter 7-C;
- (b) A determination pursuant to this section may be made with respect to a specific supervised entity, a specific type of supervised entity or all supervised parties.

**52EEE Revocation or suspension of a license, approval or permit**

(Amendment: 5771(2))

- (a) A panel may, regarding a violation of a provision listed in Parts B or C of the Seventh Schedule -
- (1) Suspend for a fixed period not to exceed one year, a license to manage a trading platform or a permit for holding control in a company holding a platform license, which has been granted to the offender pursuant to this Law, or a license granted to the offender pursuant to the Advice Law, an approval to serve as a fund manager or trustee or a permit to hold the means of control in a fund manager granted pursuant to the Joint Investment Trust Law, or the panel may have an underwriter's status on the underwriters register established pursuant to section 56(c) changed to inactive (hereinafter: "a suspension"); however an extension of a suspension pursuant to this paragraph for a period exceeding one year will require a Court's approval;
- (2) With a Court's approval - revoke a license, approval or permit such as described in paragraph (1), which has been granted to the offender.

**52FFF Conditional enforcement measures**

(Amendment: 5771(2))

- (a) If the panel has imposed enforcement measures as described in sections 52AAA, 52DDD or 52EEE, it may, in its decision, instruct that all or some of these measures will be imposed conditionally.
- (b) If enforcement measures have been imposed conditionally on an offender, no enforcement measures will be implemented regarding the offender unless the panel or another Committee panel has determined that the offender has, within a period prescribed in a panel decision rendered as described in sub-section (a) (which period will not exceed two years from the date on which the decision was rendered) – committed one of the violations specified in the decision.

**52GGG Time restriction regarding the imposition of enforcement measures**

(Amendment: 5771(2))

- (a) In this section, "determinative period" – the period described below, as relevant:
- (1) Regarding a violation listed in Part A of the Seventh Schedule – one year from the date on which the ISA discovered that the violation had been



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The Securities Law, 1968

committed or three years from the date on which the violation was committed, whichever is earlier;

- (2) Regarding a violation listed in Part B of the Seventh Schedule – five years from the date on which the violation was committed;
  - (3) Regarding a violation listed in Part C of the Seventh Schedule – five years from the date on which the violation was committed.
- (b) If a decision is made to initiate an administrative enforcement proceeding pursuant to section 52QQ regarding a violation listed in Part A or Part B of the Seventh Schedule after the end of the determinative period, the following provisions will apply with regard to the panel's authority to impose enforcement measures on the offender pursuant to this Part, as relevant:
- (1) If less than seven years have passed since the date on which the violation was committed, the panel may only impose on the offender the enforcement measures described in sections 52BBB(a)(2) and 52EEE;
  - (2) If seven years have passed since the date on which the violation was committed, the panel may only impose on the offender the enforcement measures described in section 52EEE.
- (c) If a decision is made to initiate an administrative enforcement proceeding pursuant to section 52QQ regarding a violation listed in Part C of the Seventh Schedule after the end of the determinative period, the panel may impose on the offender only the enforcement measures described in section 52EEE.
- (d) The calculation of the determinative period will not include any period of time in which the ISA or the Committee panel was unable to complete an inquiry proceeding regarding the violation or to complete an administrative enforcement proceeding because of one of the following circumstances,:
- (1) The offender's being outside of Israel;
  - (2) The offender's escape;
  - (3) The offender's medical or psychological condition;
  - (4) The impossibility of locating the offender notwithstanding a reasonable effort having been made to do so.



The Securities Law, 1968  
**Article D: General Provisions<sup>20</sup>**

**52HHH Publication and immediate reporting of a decision to impose enforcement measures**

(Amendment: 5771(2))

- (a) The ISA will publish a panel's decision, as described in section 52YY(a), on its website, on the date on which the decision enters into effect.
- (b) At the offender's request, the panel may – pursuant to a reasoned written decision – choose not to publish the decision as described in sub-section (a) or may delay its publication until a date that it will determine; however, the length of time that has passed since the commission of the violation will not in itself be a reason for non-publication or delay.
- (c) The panel may choose not to allow any viewing of the minutes of a proceeding that has been held pursuant to this Chapter - if it is persuaded by special reasons that it will note - that such review will cause harm to the offender or to a third party.
- (d) If a panel decision to impose enforcement measures on an offender which is a reporting party – as defined in section 52AA(b) – or on a senior corporate officer thereof has entered into effect, the reporting party will publish the decision, in an immediate report pursuant to sections 36(c), 44CC or 56(c)(3), pursuant to section 27C of the Advice Law or pursuant to section 72(a) of the Joint Investment Trust Law, as relevant, and the provisions of sections 37 and 39 will apply, *mutatis mutandis*, for this purpose, unless the panel decides, in accordance with the provisions of sub-section (b), not to publish the decision or to delay its publication.
- (e) If a panel has decided to impose enforcement measures on an offender which is a licensee pursuant to section 44M or pursuant to the Advice Law, or which is a banking corporation - the ISA chairman may instruct the offender to also notify the offender's customers, as the ISA Chairman shall direct in accordance with the circumstances, regarding the nature of the violation with respect to which the decision has rendered such decision and the circumstances thereof, and regarding the enforcement measures imposed on the offender.

**52III The Court's power on appeal**

(Amendment: 5771(2))

- (a) An administrative appeal as described in section 42E of the Courts Law, against a panel decision described in section 52YY, will be submitted within 45 days from the date on which the panel's decision was received.

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<sup>20</sup> Articles B, C and D of Chapter 8-D will enter into effect at the time that procedural rules are established for the work of the Administrative Enforcement Committee, pursuant to section 52MM(a) of the Law.



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The Securities Law, 1968

- (b) If an appeal is brought regarding a panel's decision, the Court may approve, revoke or amend the panel's decision.

**52JJJ Confirmation of the panel's decisions**

(Amendment: 5771(2))

A request for a Court's approval pursuant to sections 52YY(b), 52DDD or 52EEE will be addressed to the Economic Division, as defined in section 42D of the Courts Law.

**52KKK Delay in execution of a decision and reimbursement**

(Amendment: 5771(2))

- (a) The filing of an appeal will not serve to delay the implementation of a decision, its publication or the submission of an immediate report pursuant to section 52HHH(d), unless the panel has agreed to such or the Court has ordered such.
- (b) If a Court has decided to grant an appeal as described in sub-section (a), after a financial sanction pursuant to section 52AAA has already been paid, the provisions of section 52Z will apply with regard to the said financial sanction.

**52LLL Responsibility of a general manager or partner, other than a limited partner**

(Amendment: 5771(2))

- (a) A corporation's general manager or a partner, other than a limited partner, must supervise and take all reasonable measures under the circumstances in order to prevent the commission of a violation by the corporation or by the partnership, whichever is relevant, or by one of corporation's or partnership's employees;
- (b) If a violation has been committed, other than a violation listed in items (6) through (8) of Part C of the Seventh Schedule and other than a violation pursuant to section 54(a1) – unless such violations have been committed by the corporation – it will be presumed that the general manager of a corporation or a partner other than a limited partner in a partnership, whichever is relevant, has breached his or her duty pursuant to sub-section (a) and one or more of the enforcement measures specified below, as is relevant, may be imposed on such general manager or partner, if and as such measure could have been imposed on the general manager or partner if he or she had been the offender, unless it has been proven that the general manager or partner had fulfilled his or her duty pursuant to sub-section (a):
- (1) A financial sanction as described in section 52AAA, in a maximum amount that may not exceed one half the amount of the maximum financial sanction that can be imposed on an offender who is any other individual for the same violation;



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The Securities Law, 1968

- (2) Regarding a violation listed in Parts B or C of the Seventh Schedule – a suspension as described in section 52EEE(1), for a period that will not exceed one half of the suspension period that could have been imposed on the offender pursuant to that section, or a revocation of such a license, approval or permit;
  - (3) Regarding a violation listed in Part C of the Seventh Schedule – a prohibition of service as a senior corporate officer in a supervised entity, as described in section 52DDD, for a period that will not exceed one half of the period for the prohibition of service that could have been imposed on the offender pursuant to that section.
- (c) If a corporation has established procedures that are sufficient to prevent a violation such as is described in sub-section (b) and has appointed an enforcement officer to supervise compliance therewith, including provisions regarding the training of the corporation's employees with regard to such compliance, and has taken reasonable measures to correct a violation and to prevent its reputation, it will be presumed that the general manager or partner, whichever is relevant, has fulfilled his or her duty as sub-section (a).
- (d) In this section, a “partnership” and a “limited partner” shall have the definitions given to them in the Partnership Ordinance [New Version] -1975.

**52MMM Administrative enforcement proceeding and a criminal proceeding**

(Amendment: 5771(2))

- (a) If an offender has been summoned to an inquiry regarding a violation pursuant to section 52QQ(a)(2) or if a notice has been delivered regarding the initiation of an administrative proceeding pursuant to section 52TT, no indictment shall be filed against the offender with respect to the act that constitutes the violation, and no financial sanction may be imposed on the offender with respect to such act pursuant to Chapter 8-C;
- (b) If a person has been cautioned regarding a suspicion of a commission of a securities offense, an offense as defined in section 29 of the Advice Law or an offense as defined in section 97A of the Joint Investment Trust Law, no administrative proceeding may be initiated with respect the acts that are the subject of the offense, unless one of the following conditions is met:
  - (1) The district prosecutor has decided not to indict the suspect;
  - (2) The suspect has been tried but the ISA Chairman, in consultation with the district prosecutor, has been persuaded - as shall be described in a written reasoned decision - that there are special circumstances justifying the initiation of an administrative proceeding with respect to the acts that are the subject of the offense or for entering into an arrangement as described in Article A of Chapter 9-A, provided that if an administrative proceeding



The Securities Law, 1968

is initiated under such circumstances, the panel's decision or arrangement as described in Article A of Chapter 9-A may not include the imposition of any enforcement measures on the offender other than those stated in sections 52DDD or 52EEE.

**52NNN Administrative proceeding against a senior corporate officer in a banking corporation or in an institutional body**

(Amendment: 5771(2))

- (a) The ISA Chairman will notify the Supervisor of Banks regarding a decision to initiate an administrative inquiry against a senior corporate officer in a banking corporation, or will notify the Commissioner regarding a decision to initiate an administrative inquiry against a senior corporate officer in an institutional body.
- (b) If a decision has been made to initiate an administrative inquiry against a senior corporate officer in a banking corporation or in an institutional body, in connection with a violation for which it will be possible to impose an enforcement measure consisting of a prohibition, as described in section 52DDD, on service as a senior corporate officer in a banking corporation or in an institutional body, whichever is relevant, the ISA will inform the Supervisor of Banks or the Commissioner, whichever is relevant, and regarding a senior corporate officer in a banking corporation or in an insurer, the ISA will hear the Supervisor of Banks' or the Commissioner's position concerning the matter, whichever is relevant.
- (c) The Supervisor of Banks or the Commissioner, whichever is relevant, will be given an appropriate opportunity to argue before the panel that is deliberating on the violation, before the panel makes a decision to impose an enforcement measure consisting of a prohibition on service as a senior corporate officer in a banking corporation or in an insurer, whichever is relevant.

- (d) In this section –

“Institutional body,” “insurer” – as defined in the Supervision of Insurance Law;

“Supervision of Insurance Law” – the Control of Financial Services (Insurance) Law -1981;

“Commissioner” – the Capital Market, Insurance and Savings Commissioner at the Ministry of Finance;

“Supervisor of Banks” – the Supervisor of Banks appointed pursuant to section 5 of the Banking Ordinance - 1941.



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The Securities Law, 1968

**52000 Misleading the ISA**

(Amendment: 5771(2))

Without detracting from the provisions of any relevant law – for the purpose of Chapter 8-D, a supervised party which has caused the presentation to the ISA of a misleading item in any report, document or notice, which is required to be submitted pursuant to any law, including pursuant to an ISA demand or pursuant to a demand from an authorized ISA employee, when the party should have known that the presentation could mislead the ISA – will be viewed as having committed a violation of one of the provisions listed in Part C of the Seventh Schedule.

**52PPP Amendment of the Seventh Schedule**

(Amendment: 5771(2))

The Minister of Justice may, at the suggestion of the ISA or upon consultation with it, and with the consent of the Minister of Justice and with the approval of the Knesset Finance Committee, amend the Seventh Schedule, by way of an order.

**Chapter 9:  
Penalties**

**53 Contravention of the provisions of this law**

(Amendments: 5738(2), 5741, 5748, 5751, 5757, 5760(2), (4), 5764(2), 5769, 5770(4), 5771(2))

- (a) A person who is convicted of having committed one of the following will be punishable by imprisonment for a term of five years, or by the imposition of a fine in an amount five times the fine prescribed in section 61(a)(4) of the Penal Code, and if a corporation is so convicted – it will be subject to a fine which is twenty-five times the size of the said fine:
- (1) Contravened the provisions of section 15 with the intent of misleading a reasonable investor; for this purpose, any party offering securities to the public without a prospectus approved by the ISA or other than in accordance with a draft prospectus pursuant to the provisions of section 15(a), or any party who sold securities to the public other than in accordance with a prospectus the publication of which was authorized by the ISA shall bear the burden of proof that such offer or sale was not carried out with the intent to mislead a reasonable investor;
  - (2) Caused a misleading item to be included in a draft prospectus or in a prospectus; and did not prove that this was done without intent to mislead a reasonable investor;





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The Securities Law, 1968

- (2a) Caused a misleading item to be included in information presented at a meeting held pursuant to section 15A(a)(6), in order to mislead a reasonable employee.
  - (3) Issued an opinion, report or certification which is subsequently included or referred to in a prospectus, report, notice or purchase offer specification with the prior consent of the party issuing such opinion, report or certification, knowing that the opinion, report or certification contained a misleading item;
  - (4) Failed to comply with a provision of section 17(c), of section 35X, of section 36, or with a provision of an ISA directive issued pursuant to section 36A, or with provisions applicable to [the party in question] by virtue of section 36B or with one of the provisions of section 37, or with any regulation enacted pursuant to the said sections, or caused a report, notice, registration document or purchase offer specification, pursuant to this Law or regulations enacted hereunder and submitted to the ISA or the stock exchange to contain a misleading item - all with the intention of misleading a reasonable investor; for this purpose, the non-submission of periodic report or interim financial report within two months from the final date provided for the submission of the same, or the non-submission of an immediate report or notice within seven days from the final date provided for the submission of the same, or a failure to submit any of the above reports or notices in accordance with an ISA requirement shall be *prima facie* evidence that the person upon whom the duty to submit such report or notice is imposed refrained from so doing with the intent to mislead.
  - (5) Included a misleading item in one of its reports, publications or in other information provided by it, in order to mislead a reasonable customer, in contravention of the provisions of section 44Q(b).<sup>21</sup>
- (a1) A person who is convicted of having done an act with the intention of preventing or causing the failure of an inquiry proceeding regarding a violation or of an administrative enforcement proceeding, pursuant to Chapter 8-D, will be punishable by imprisonment for a term of three years, or by imposition of a fine in an amount which is two and one half times the fine prescribed in section 61(a)(4) of the Penal Code, and if a corporation is so convicted – it will be subject to a fine which is five times the size of the said fine:

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<sup>21</sup> Paragraph (5) of sub-section 53(a) enters into effect three months after 15 June 2010, or on the date that regulations enacted pursuant to sections 44M(b)(5) and (6) and 44CC of the Law enter into effect, whichever is later.



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The Securities Law, 1968

- (b) A person who is convicted of having committed one of the following shall be punishable by imprisonment for a term of one year or a fine in an amount which is three times the fine prescribed in section 61(a)(2) of the Penal Code:
- (1) Failed to comply with the provisions of sections 5, 10(b) or 45C;
  - (1a) Contravened the provisions of section 13;
  - (1b) Contravened the provisions of section 15;
  - (2) Failed to comply with the provisions of section 16(a) or (b) or of section 18(a) or with the regulations enacted pursuant to section 35B(a);
  - (2a) Failed to comply with the provisions of section 17(c);
  - (2b) Contravened provisions pursuant to section 17C;
  - (3) Failed to comply with the provisions of section 25(d);
  - (4) Failed to comply with directions of the ISA under section 25(a) or 25A(b);
  - (5) Failed to comply with the provisions of section 35B(a) or 35J;
  - (5a) Failed to comply with the provisions of sections 36, 36B or 37, or with the regulations enacted pursuant to those section, or failed to comply with an ISA directive or instruction pursuant to section 36A;
  - (6) Issued securities without the conditions of section 39(a) having been met;
  - (6a)<sup>22</sup> Managed a trading platform without a platform license or in contravention of the terms of such a license, in contravention of the provisions of section 44M;
  - (6b)<sup>21</sup> Made an offer to trade on a trading platform in violation of the provisions of section 44O;
  - (6c)<sup>21</sup> Included a misleading item in one of its reports, publications or in other information provided by it, in contravention of the provisions of section 44Q(b).
  - (7) Contravened the provisions of section 45(a);
  - (8) Contravened the provisions of section 52I(b);
  - (9) Failed to comply with the provisions of section 52I(c) or (d);

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<sup>22</sup> Paragraphs (6a) – 6(c) of subsection 53(b) enter into effect three months after 15 June 2010, or on the date that regulations enacted pursuant to sections 44M(b)(5) and (6) and 44CC of the Law enter into effect, whichever is later.



The Securities Law, 1968

- (10) Failed to comply with a demand issued pursuant to section 56A(a) or 56A1(a) or 56C(2) within the prescribed period;
  - (11) Contravened the provisions of section 56E.
- (b1) A person who [is convicted of having done] one of the following shall be punishable by imprisonment for a term of six months:
- (1) Contravened the provisions of section 10A;
  - (2) Contravened any special restriction established pursuant to section 10B;
  - (3) Contravened any condition imposed pursuant to sections 10A or 10C.
- (c) (Revoked.)
- (d) In the event of a continuing violation of the provisions of sections 36, 36B or 37 or of the regulations enacted thereunder, or of an order or directive of the ISA issued pursuant to sections 35X and 36A, the court may impose an additional fine, equal to two percent of the fine which it is [otherwise] entitled to impose, for each day that the violation continues.
- (e) Where any offense listed in this section is committed by a corporation, the directors and the general manager of that corporation shall be criminally liable as well, unless they can prove one of the following:
- (1) That they did not know nor should they have known of the offense or that they had no way of knowing of the offense;
  - (2) That they took all reasonable measures to prevent the offense.

**54. Fraud in connection with securities**

(Amendments: 5748, 5754(2), 5764(2), 5767, 5771(2))

- (a) A person who [is convicted of doing] one of the following shall be punishable by imprisonment for a term of five years or to a fine in an amount five times the fine prescribed in section 61(a)(4) of the Penal Law, and if a corporation is so convicted – it will be subject to a fine which is twenty-five times the size of the said fine:
- (1) Induced or attempted to induce a person to purchase or sell securities by way of a statement, promise or projection - written, oral or otherwise - which the person knew or ought to have known to be false or misleading, or by concealing material facts;
  - (2) Fraudulently influenced the fluctuation of the price of securities. For the purpose of this paragraph, it will be presumed that anyone acting in



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The Securities Law, 1968

accordance with the provisions of section 56(a) regarding the stabilization of the price of securities has not engaged in an act of fraudulent influencing as stated above.

(a1) A supervised party or an investor in securities who is convicted of doing one of the following will be deemed for purposes of Chapter 8-D to have committed a violation of a provision listed in Part C of the Seventh Schedule:

- (1) Stated something, or delivered a promise or projection – either in writing, verbally or otherwise – which the person should have known to be false or misleading, or hid material facts from another person, when the first person knew that these acts could motivate the other person to purchase or sell securities;
- (2) Executed a single trader securities transaction in securities, a coordinated securities transaction or a stabilization of securities prices;

(b) In this section -

“stabilization” – the execution by an interested party - before or after the publication of a prospectus - of purchases and sales of securities that have influenced the prices of securities favorably in anticipation of the offering, while hiding material information relating to the stabilization activities at the time that they are carried out;

“investor in securities” – a party which, in the three months preceding the date of the violation, executed purchases or sales of securities on the stock exchange of a quantity and size that are no less than the following quantities or sizes:

- (1) An average of 50 such transactions each month, or transactions in an average monthly amount of NIS 1,000,000;
- (2) An average of 25 such transactions each month, or transactions in an average monthly amount of NIS 500,000, if the party – at the time that the said transactions were carried out – served in a position in a financial field which required knowledge of investments in securities or in financial assets as defined in the Advice Law, even if the party did not serve in such position at the time of the violation:

“securities” – as defined in section 52;

“coordinated securities transaction” – a sale and purchase of the same security by two or more persons, carried out with prior coordination among the parties, and which has influenced the security’s price on the stock exchange - other than a coordinated transaction as defined in the stock exchange by-laws which was carried out in accordance with the provisions of those by-laws.



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The Securities Law, 1968

“single trader securities transaction” – a simultaneous sale and purchase of the same security by the same person or by a person acting on one person’s behalf, which has influenced the security’s price on the stock exchange.

**Chapter 9A — Arrangement to Prevent the Initiation of Proceedings or to Conclude Proceedings, Subject to Conditions**

(Amendment: 5771(2))

**Article A: The ISA Chairman’s Authority to Enter into an Arrangement**

**54A Definitions**

(Amendment: 5771(2))

In this Article –

“The Committee” – the Administrative Enforcement Committee appointed pursuant to section 52FF(a);

“Proceedings” - an inquiry proceeding regarding a violation or an administrative enforcement proceeding, pursuant to Chapter 8-D or a criminal investigation pursuant to section 56C, whichever is relevant;

“Arrangement” - an arrangement to prevent the initiation of proceedings or to conclude proceedings, subject to conditions

“Violation” - as defined in section 52QQ(a), and a violation as described in section 52OOO or 54(a1);

**54B The ISA Chairman’s authority to enter into arrangement**

(Amendment: 5771(2))

- (a) If the ISA Chairman has a reasonable basis for believing that a violation has been committed, or a reasonable basis for suspecting that a securities offense has been committed, the Chairman may choose, in accordance with the considerations stated in section 52RR and with the approval of the panel appointed for such purpose, not to conduct proceedings regarding such violation or offense and instead to enter into an arrangement with the offender or the suspect, whichever is relevant (in this Article – the suspect), provided that the ISA Chairman believes that compliance with the arrangement’s conditions will provide a sufficient response to the public’s interest, under the circumstances.
- (b) The ISA Chairman may, in the context of the arrangement, undertake to refrain from initiating proceedings or from continuing proceedings against the suspect



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### The Securities Law, 1968

- with respect to the violation or offense which is the subject of the arrangement, if the suspect agrees to be subjected to – with regard to a violation, any of the enforcement measures listed in Article C of Chapter 8-D that could have been imposed on the offender for the violation, and with regard to an offense, any of the enforcement measures listed in that Article (in this section – enforcement measure), as shall be established in the arrangement, and if the suspect undertakes to carry out the acts or comply with the prohibitions imposed on the suspect pursuant to the imposition of such enforcement measure, within the period of time established in the arrangement; the arrangement may also include the suspect's agreement to be subjected an additional enforcement measure, beyond those to which the suspect agreed pursuant to the agreement, in the event that the suspect does not carry out the said undertaking (in this section – conditional enforcement measures.)
- (c) An arrangement will be made in writing and will include the following details:
- (1) A description of the facts that form the reasonable basis for the belief that a violation has been committed or for the suspicion of the commission of an offense, whichever is relevant;
  - (2) If a proceeding has been concluded in light of the arrangement – the type of proceeding that was concluded;
  - (3) The type of enforcement measure that will be imposed on the suspect pursuant to the arrangement, and the actions or prohibitions that will be imposed on the suspect pursuant to the imposition of that enforcement measure (in this section – the terms of the arrangement);
  - (4) The period of time – which will not exceed three years – during which the terms of the arrangement will apply to the suspect;
- (d) The ISA Chairman may prescribe, within the terms of the arrangement, the manner in which the suspect will prove compliance with these terms.
- (e) If it is proven to the ISA Chairman that the suspect has violated any of the terms of the arrangement or that the arrangement was obtained fraudulently, the ISA Chairman may, with the approval of a panel the Chairman will appoint for such purpose, order that proceedings be initiated against the suspect after the suspect is given a notice of the ISA's Chairman to do so, and after the suspect is given an opportunity to present arguments within 30 days from the date on which the notice was delivered; if the ISA Chairman has issued such an order, the arrangement will be deemed to be void and the suspect will not be required to carry out those terms of the arrangement that the suspect has not yet carried out, other than the terms that apply to the suspect by virtue of the application of conditional enforcement measures, pursuant to the arrangement.



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The Securities Law, 1968

**54C Publication and immediate reporting**

(Amendment: 5771(2))

- (a) The ISA will publish all of the following on its website:
- (1) A notice that an arrangement has been entered into and a description of the arrangement's content;
  - (2) A notice that the arrangement has been violated by a suspect;
  - (3) A notice that proceedings have been initiated against a suspect under circumstances such as are described in section 54B(e).
- (b) The ISA Chairman may choose, for special reasons that shall be recorded, not to publish any of the matters listed in sub-section (a) or to delay their publication for a period that shall be established.
- (c) If the ISA Chairman has entered into an arrangement with a suspect which is a reporting party – as defined in section 52AA(b) – or with a senior corporate officer thereof, the reporting party will publish the matter of the arrangement and the content thereof, in an immediate report pursuant to sections 36(c), 44CC or 56(c)(3), pursuant to section 27C of the Advice Law or pursuant to section 72(a) of the Joint Investment Trust Law, whichever is relevant, unless the ISA Chairman decides, in accordance with the provisions of sub-section (b), not to publish the decision or to delay its publication.
- (d) The ISA Chairman may instruct a licensee or banking corporation to whom an arrangement pursuant to this Chapter applies to send notice to the licensee's or corporation's clients regarding the matter of the arrangement having been entered into and the content of the arrangement, or to publish the same, as the ISA Chairman may direct in accordance with the circumstances of the case,.

**54D A suspect's consent and the evidence provided by the suspect cannot serve as evidence in a criminal or administrative proceeding**

(Amendment: 5771(2))

A suspect's consent to enter into an arrangement may not be used as evidence against the suspect in a criminal or administrative proceeding with respect to the violation or offense which is the subject of the arrangement, and any evidence provided for the purpose of the arrangement may not be used as evidence against the suspect in any criminal or administrative proceeding.



The Securities Law, 1968

**Article B: The District Prosecutor's Authority to Enter into an Arrangement**

**54E The district prosecutor's authority to enter into an arrangement**

(Amendment: 5771(2))

- (a) Notwithstanding the provisions of section 62(a) of the Criminal Procedure Law, a district prosecutor may choose, even if he or she finds that there is sufficient evidence for an indictment, not to indict a suspect for the commission of a securities offense, and to instead enter into an arrangement with the suspect to conclude proceedings subject to conditions (in this Article – an arrangement) provided that the district prosecutor believes that compliance with the arrangement's conditions will provide a sufficient response to the public's interest, under the circumstances.
- (b) The district prosecutor may, in the context of the arrangement, undertake to refrain from filing an indictment against the suspect with respect to the offense which is the subject of the arrangement, if the suspect agrees to be subjected to any of the enforcement measures listed in Article C of Chapter 8-D (in this section – an enforcement measure) – as shall be established in the arrangement, and if the suspect undertakes to carry out the acts or comply with the prohibitions imposed on the suspect pursuant to the imposition of such enforcement measure, within the period of time established in the arrangement;
- (c) An arrangement will be made in writing and will include the following details:
  - (1) A description of the facts that constitute the offense;
  - (2) The type of enforcement measure that will be imposed on the suspect pursuant to the arrangement, and the actions or prohibitions that will be imposed on the suspect pursuant to the imposition of that enforcement measure (in this section – the terms of the arrangement);
  - (3) The period of time during which the terms of the arrangement will apply to the suspect;
- (d) The district prosecutor may prescribe, within the terms of the arrangement, the manner in which the suspect will prove compliance with these terms.
- (e) A suspect will not be indicted for the facts that constitute the securities offense which is the subject of the arrangement after the suspect has begun to carry out the terms of the arrangement, whether or not the suspect has finished carrying out the said terms, unless the district prosecutor finds that the arrangement was obtained fraudulently; an indictment pursuant to this sub-section will be filed with the approval of the Attorney General or of a person authorized by the Attorney General for such purpose.





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The Securities Law, 1968

- (f) If it is proven to the district prosecutor that the suspect has violated any of the terms of the arrangement, the suspect may be indicted for the facts that constitute the offense which is the subject of the arrangement, unless the district prosecutor finds that the suspect should not be indicted, for special reasons that shall be noted.
- (g) If a suspect is indicted with respect to the facts that constitute the offense which is the subject of the arrangement, the arrangement will be deemed to be void and the suspect will not be required to carry out the terms of the arrangement that the suspect has not yet been carried out.

**54F Publication and immediate reporting**

(Amendment: 5771(2))

If the district prosecutor enters into an arrangement, a copy of the arrangement shall be delivered to the ISA and the provisions of section 54C will apply, *mutatis mutandi*, with respect to the publication of the arrangement and to the reporting thereof.

**54G A suspect's consent and the evidence provided by the suspect cannot serve as evidence in a criminal or administrative proceeding**

(Amendment: 5771(2))

The provisions of section 54D will apply, *mutatis mutandis*, regarding an arrangement pursuant to this Part.

**Chapter 9B: Cooperation with a Foreign Authority**

**54K1 Definitions**

(Amendments: 5760, 5766)

- (a) In this Chapter -

“**Foreign Authority**” – an entity charged with executing and enforcing the securities laws in a country which has signed a Memorandum of Understanding with the ISA;

“**Memorandum of Understanding**” – an agreement concerning cooperation in the administration and enforcement of securities laws;

“**Assistance to a Foreign Authority**” – a demand for information and documents, the conducting of a search [and/or] seizure of documents, the conducting of an investigation and delivery of information and documents for the purposes of executing and enforcing the securities laws in a foreign country;



### The Securities Law, 1968

“**Request for Assistance**” – a request for assistance submitted in writing to the ISA by a Foreign Authority in accordance with the [relevant] Memorandum of Understanding;

“**Securities laws**” – laws pertaining to securities, which the ISA or a Foreign Authority is charged with executing and enforcing..

- (b) The definitions of the terms in the securities laws of a foreign country shall be in accordance with the definitions given them by the applicable law within the jurisdiction of the Foreign Authority.

#### **54K2. Approval of Request for Assistance**

(Amendments: 5760, 5766)

If the Chairman of the ISA is of the opinion that all of the following conditions have been complied with, he or she may determine that a Request for Assistance will be subject to the provisions of this Chapter:

- (1) The Foreign Authority has submitted the Request for Assistance in accordance with the regulations enacted pursuant to section 54K7;
- (2) The subject of the Request may constitute a violation of the securities law that the petitioning Foreign Authority is charged with executing and enforcing;
- (3) The provisions of this Chapter and of the Memorandum of Understanding have been complied with;

#### **54K3. Authority of the Attorney-General**

No action shall be taken under the provisions of this article if such action, in the opinion of the Attorney-General, may be harmful to the sovereignty of the State of Israel, to its security, to a vital interest, to the public interest or to a pending investigation.

#### **54K4 Authority to perform acts of assistance**

(Amendments: 5760, 5766)

- (a) In order to ensure provision of assistance to a Foreign Authority, a person authorized in writing by the Chairman of the ISA for this purpose may use the authority described in sections 56A, 56A1 and 56B through 56C1, *mutatis mutandis*. Nevertheless the authority described in section 56B, 56B1 or 56C1 may be exercised only in cases in which the subject of the Request could be the subject of a criminal investigation pursuant to Israeli securities laws.
- (b) The provisions of section 56E shall apply, *mutatis mutandis*, to any document reaching the hands of a person so authorized under subsection (a).



The Securities Law, 1968

- (c) If the Chairman of the ISA has determined that the provisions of this article is applicable to a Request for Assistance, he or she may instruct the person authorized pursuant to subsection (a) to take statements in accordance with the rules of procedure in force in the jurisdiction of the Foreign Authority, if the Foreign Authority has so requested in the Request for Assistance.

**54K5 Authorization to transfer information and documents**

(Amendment: 5760)

- (a) If the Chairman of the ISA has made a determination pursuant to section 54K2, and information or a document which is requested in the Request for Assistance is in the possession of the ISA, a person authorized in writing by the Chairman of the ISA for this purpose may transfer the said information or document to the Foreign Authority, or may transfer a certified copy or certified photocopy of the same.
- (b) A person authorized by the Chairman of the ISA in accordance with section 54K4 may transfer to a foreign authority any information or document which has come into the authorized person's possession as a result of the said authorization, or a certified copy or certified photocopy of the same.
- (c) No information, document or copy as described in subsections (a) and (b) shall be transferred unless the Chairman of the ISA is satisfied that such information, document or copy will be used exclusively for the purpose for which they were transferred.
- (d) Notwithstanding the provisions of this section, no document pertaining to the business of a banking corporation or of an insurer, which is not a public document or a certified copy or a certified photocopy of such a document, may be transferred to a Foreign Authority other than with the consent of the Supervisor of Banks or the Insurance Commissioner, whichever is relevant;

In this subsection -

“**Banking corporation**” – shall be as defined in the Banking (Licensing) Law, 5741- 1981, but will not include a cooperative services company;

“**Insurer**” – shall be as defined in the Insurance Business (Control) Law, 5741-1981.

**54K6. Reciprocity**

(Amendment: 5760)

The Chairman of the ISA may order that a certain act requested by a Foreign Authority will not be performed, if the said Foreign Authority had refused to perform a similar act when requested to do so by the Israel Securities Authority.



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The Securities Law, 1968

**54K7. Regulations**

(Amendment: 5760)

The Minister of Justice may enact regulations -

- (1) For the purpose of implementing this article, including matters pertaining to the procedures for submitting Requests for Assistance to a Foreign Authority, and for the handling thereof;
- (2) For purposes of implementing the Memorandum of Understanding.

**54K8. Effect of regulations**

(Amendment: 5760)

If the Memorandum contains provisions regarding any of the following matters, and regulations were enacted for implementing the same, the regulations shall be valid, notwithstanding the provisions of this or any other law:

- (1) The delivery, proof, verification and certification of documents by a Foreign Authority at the request of the ISA;
- (2) The taking of testimony, seizure of documents or performance of any other act of enforcement by the Foreign Authority at the request of the ISA.

**54K9 Qualification with regard to information and documentation transfer**

(Amendment: 5766)

- (a) Notwithstanding any provision of any law, the ISA may refrain from transferring to a third party any information or document submitted to it by a Foreign Authority, or any information or document received, collected or created as a result of a Request for Assistance or a request for information or a documents that was submitted by a Foreign Authority, including the request itself; nothing in this provision shall be construed as preventing disclosure upon the demand of the Attorney General for purposes of a criminal prosecution or upon a court demand.
- (b) In this section the term "Foreign Authority" – shall mean an entity charged with executing and enforcing the securities laws in a foreign country, even if it has not signed a Memorandum of Understanding with the ISA.



The Securities Law, 1968  
**Chapter 10:**  
**Miscellaneous Provisions**

**54K10 Definitions**

(Amended 5768, 5771(2))

In this Chapter -

“Violation” – As defined in section 52QQ(a), and a violation as described in section 52OOO or 54(a1);

“Securities” – As defined in section 52.

**54L. Exemption**

(Amendments: 5731, 5748)

- (a) The Minister of Finance may, with the approval of the Knesset Finance Committee, order that all or some of the provisions of this Law or of the regulations enacted hereunder, with the exception of Chapter Eight and the provisions of sections 39(a) and (b) and 54, shall not apply to securities of the Jewish Agency, provided that any offer to the public of securities of the Jewish Agency shall be in writing in a document that will contain the terms and details of said offer and shall state that approval has been granted under section 39.
- (b) Any order by the Minister of Finance under subsection (a) may be general or for particular classes of securities of the Jewish Agency.
- (c) In this section -  
“**The Jewish Agency**” – shall mean the Zionist Executive and the Executive of the Jewish Agency, as defined in the Status of the World Zionist Organization — The Jewish Agency Law, 5713 - 1952, including Keren Hayesod - The United Israel Appeal;  
“**Securities of the Jewish Agency**” -  
(1) Certificates issued in series by the Jewish Agency and creating a claim against it;  
(2) Certificates issued with the consent of the Jewish Agency, which confer on the holders thereof a right of participation in loans granted by the issuer to the Jewish Agency, whether the issuer is registered in Israel or abroad, provided that the said issuer has been approved for this purpose by the Minister of Finance with the consent of the Knesset Finance Committee.

**55. Transitional provisions**



### The Securities Law, 1968

A party that was a member of the Tel Aviv Stock Exchange Ltd. prior to the Knesset's enactment of this Law will be qualified to continue to be a member in that stock exchange notwithstanding the provisions of this Law or of that stock exchange's by-laws.

#### **55A. Fees**

(Amendment: 5744)

The Minister of Finance, in consultation with the ISA and with the approval of the Knesset Finance Committee, may prescribe in regulations provisions for the fees to be paid to the ISA, including provisions for linkage differentials and fines to be paid in the event in the delay in the payment of fees, and provisions for the application of the Tax Ordinance (Collection) for purposes of enforcing the payment of such fees, linkage differentials and fines.

#### **55B. Publication of a notice in a newspaper**

(Amendment: 5768(2), 5771(2))

- (a) The Minister of Finance, in accordance with a proposal from the ISA or after consultation with the ISA, and with the approval of the Knesset Finance Committee, will prescribe, in regulations ,provisions regarding the manner in which a notice is to be published in a newspaper pursuant to this Law, including with regard to the details to be included in the notice, the size of the notice and its structural characteristics - and the Minister of Finance may prescribe different provisions for different types of publications of notice in a newspaper pursuant to this Law, or for different types of corporations or different types of securities.
- (b) No publication of a notice in a newspaper pursuant to this Law may include a misleading item.

#### **55C<sup>23</sup> Financing of class actions**

(Amendment 5770(4))

- (a) A party wishing to submit a class action pursuant to the provisions of the Class Action Law -2006, regarding one of the claims listed below, as well as a class action plaintiff in such a class action, may request that the ISA pay for such party's expenses:
  - (1) A claim described in item 4A of the Second Schedule of that Law;
  - (2) A claim described in item 5 of the Second Schedule of that Law, other than a cause of action derived from a connection to a security which is not listed for trading on an exchange and which has not been publicly offered in Israel pursuant to a prospectus.

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<sup>23</sup> Section 55C enters into effect three months after 15 June 2010 or on the date that regulations enacted pursuant to sections 44K(5) and (6) and 44CC of the Law enter into effect, whichever is later.



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The Securities Law, 1968

- (b) If the ISA is persuaded that the action is in the public interest and that there is a reasonable chance that a court will approve it as a class action, it may pay the plaintiff's expenses, in an amount and under conditions that it will specify.
- (c) If the court finds in favor of the plaintiff, it may order, in its ruling, that the ISA be indemnified for its expenses.

**56. Implementation and regulations**

(Amendments: 5744, 5748, 5751, 5759(2), 5764(2))

- (a) The Minister of Finance is charged with the implementation of this Law, and he or she may, in consultation with the ISA, enact regulations regarding any matter relating to such implementation, save as otherwise provided in this Law.
- (b) The Minister of Justice may enact procedural regulations with regard to sections 14A, 35N(g), 36C(b), 38, 47 and 56A.
- (c) The Minister of Finance shall, in accordance with an ISA proposal, in consultation with the Minister of Justice and with the approval of the Knesset Finance Committee, enact regulations with regard to:
  - (1) Conditions for qualification of an underwriter or distributor;
  - (2) Minimum capital and professional liability insurance for an underwriter or a distributor;
  - (3) Reports to be submitted by an underwriter;
  - (4) Restrictions regarding conflict of interests between an underwriter and an offeror or between an underwriter and any person who has purchased, through the underwriter or through its agency, securities offered pursuant to a prospectus. For this purpose, the term "underwriter" shall include a party that is intended to serve as an underwriter;
  - (5) The register of underwriters and fees that an underwriter is required to pay to the ISA;
  - (6) Other matters pertaining to the business of an underwriter and of a distributor.
- (d) The Minister of Finance shall, in accordance with an ISA proposal, in consultation with the Minister of Justice and with the approval of the Knesset Finance Committee, enact regulations in regard to:
  - (1) Tender offers for the securities of a listed company;
  - (2) The disclosure of details required in the matter of private placements by listed companies, including the powers of the ISA with regard to the said disclosure;
  - (3) The disclosure of details required in regard to an action or transaction of a company requiring approval pursuant to sections 275 or 320(c) of the



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The Securities Law, 1968  
Companies Law, including the powers of the ISA with regard to the said disclosure.

**56A. Power to demand information and documents**

(Amendment: 5748, 5771(2))

- (a) In order to ensure the implementation of this Law, or if or if there is a reasonable basis for believing that a violation has been committed or if a suspicion has arisen regarding the commission of an offense, the ISA Chairman or an ISA employee authorized by the Chairman for this purpose in writing may:
- (1) Require of any person that they provide any information or document relating to the business of a corporation to which this Law applies, or relating to such violation or offense;
  - (2) After identifying himself or herself, enter into any place in which the Chairman or employee has a basis for believing the activity of a supervised party is taking place, and which does not serve exclusively as a residence, and to demand to receive documents such as those described in sub-paragraph (1); however, no such document may be seized if a copy thereof will suffice:
- (b) The ISA shall, within six months of the day of obtaining the document, return the same to the person from whom it was obtained, unless an indictment has been filed or a notice has been sent regarding the initiation of an administrative enforcement proceeding pursuant to section 52TT, and the document is apt to be used as evidence in the trial or in the said proceeding; a Magistrate Court judge may, upon application by the ISA or by a representative of the Attorney-General, and after having granted the person from whom the document was obtained a proper opportunity to be heard, extend the aforesaid period under terms which shall be prescribed.

**56A1 Supervision of stock exchange transactions**

(Amendments: 5769, 5770(4), 5771(2))

- (a) In order to secure the execution of this Law, the Chairman of the ISA or an ISA employee whom the Chairman has authorized in writing for such purpose may demand of a stock exchange, a stock exchange member, a company with a platform license pursuant to section 44M, or of an investment portfolio manager, as defined in the Advice Law, any information or document relating to a securities transaction involving securities that are listed for trading on a stock exchange which was carried out by or through them, including identifying details of the party for whom the transaction was carried out or of the party that gave any of them instructions to carry out the transaction.





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The Securities Law, 1968

- (b) The provisions of section 56A(b) will apply as well to a document which has been provided pursuant to this section.
- (c) The provisions of this section do not detract from a stock exchange's powers pursuant to its by-laws.

**56A2 Appointment of an investigator and a senior investigator**

(Amendment: 5769)

- (a) The Chairman of the ISA may appoint an ISA employee who meets all of the following requirements to serve as an investigator:
  - (1) The Israel Police has given notice, within three months after the ISA has asked for such notice, that it has not objection based on public order and security, including on the grounds of the person's criminal past, to the appointment of such person;
  - (2) The person has received appropriate training regarding the powers that will be given to him or her pursuant to this Law[; such training will be] as the Minister of Finance directs in accordance with an ISA proposal or after consultation with the ISA, and with the consent of the Minister of Internal Security, and in accordance with the criteria that the Minister of Finance and the Minister of Internal Security have agreed upon;
  - (3) The person meets additional conditions for qualification, as directed by the Minister of Finance.
- (b) The Chairman of the ISA may appoint an investigator who has already served in his position for a period of three years, or an ISA employee who has similar experience and regarding whom the provisions of sub-section (a)(1) have been met, to serve as a senior investigator; the powers granted to an investigator pursuant to this Law will also be granted, mutatis mutandis, to a senior investigator.

**56B Search and seizure powers**

(Amendment: 5748, 5769)

- (a) In this section, the term "item related to an offense" shall mean an item regarding which one of the following is true:
  - (1) The offense was committed with it, it was used in the commission of the offense, it enabled the commission of the offense, or it was designated for the commission of the offense.
  - (2) It was obtained, either directly or indirectly, as payment for the commission of the offense, it was designated to serve as payment for commission of the offense, or it was obtained as a consequence of the commission of the offense;
  - (3) It can serve as evidence in a proceeding arising from the offense.



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The Securities Law, 1968

- (b) An investigator may, if suspicion has arisen regarding the commission of an offense:
- (1) Ask a Magistrate Court judge to issue an order allowing the investigator to enter any place, to carry out a search of that location and to seize any item related to the offense;
  - (2) Enter into any location which is not exclusively a residence, carry out a search of that location and seize any item related to an offense which is classified as a felony, even without a judge's order as described in paragraph (1) pursuant to the approval of a senior investigator whom the Chairman of the ISA has authorized for such purpose – provided that there is insufficient time to obtain such an order; a senior investigator may issue such an approval if he or she has been persuaded that such a search is immediately necessary, by way of an action carried out pursuant to this section or by way of an investigation carried out pursuant to section 56C(1), due to a concern regarding the disappearance of evidence or due to a concern regarding an obstruction of investigatory proceedings;
  - (3) Seize, by way [of the execution] of an investigation pursuant to section 56C(1), any item related to an offense.
- (c) The provisions of section 24, 26 through 29, 45 and 46 of the Arrest and Seizure Ordinance will apply, mutatis mutandis and as relevant, to any search [carried out] pursuant to sub-section (b)(1) or (2) and to any item seized pursuant to sub-section (b)(1), (2) or (3), and the provisions of sections 39 through 42 of the said Ordinance will apply, mutatis mutandis, to any property seized pursuant to section 56B1.
- (d) An item which has been seized pursuant to this section will be held at the ISA's offices or at another location which is under its control.
- (e) (1) The ISA will return any item which has been seized pursuant to this section to the party from which it was seized no later than 12 months from the date on which it was seized, unless an indictment has been filed in a proceeding in which the item can serve as evidence.
- (2) Notwithstanding the provisions of paragraph (1), the provisions of sections 32(b) and 32A of the Arrest and Seizure Ordinance will apply to the seizure of a computer or other item which includes computerized material, as defined in those sections.
- (f) The provisions of section 23A of the Arrest and Seizure Ordinance will apply to any act of accessing a computer and creating output during such accessing of a computer, which is carried out pursuant to the provisions of this section.
- (g) A Magistrate Court judge may, at the request of an investigator or of a representative of the State Attorney General, extend the date established in sub-



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The Securities Law, 1968

- section (e)(1) for additional periods of six months each time, provided that the party from whom the item was seized has been given an opportunity to state his position.
- (h) A Magistrate Court judge may, at the request of an investigator or of a person who claims a right in an item which has been seized pursuant to this section, order that the item that has been so seized be delivered to the party claiming the right or to another person, or that it be handled differently, as the Court may order – all in accordance with conditions to be established in the order.
  - (i) A decision rendered pursuant to sub-sections (g) or (h) may be appealed to the District Court, where a single judge will hear the appeal; the District Court's decision pursuant to this sub-section may be appealed to the Supreme Court, where a single judge will hear the appeal if leave is granted by a Supreme Court judge.

**56B1 Power to request a temporary order for seizure of property**

- (a) In this section –

**“Property”** – funds, securities as defined in section 52 or other negotiable documents, and rights to receive any of these, including property which is exchanged for such property or which results from it;

**“Property related to an offense”** – in accordance with the definition of the term “item related to an offense” in section 56B(a), with the necessary changes;

**“Seizure”** – with regard to property which is a right, includes a prohibition on the exercise of the right and on the subjecting of such right to a restriction or condition;

- (b) If a suspicion has arisen regarding the commission of a securities offense, an investigator may ask a Magistrate Court judge for a temporary order for the seizure of property related to the offense and for instructions regarding what is to be done with such property; such an order will remain in force for a period of one year from the date on which it is issued unless the order provides otherwise. However, a Magistrate Court judge may, at the request of a senior investigator, extend the duration of the order for an additional year ([hereinafter] in this section – “the extended period”); if no indictment is filed by the end of one year from the date on which the temporary order was issued - and if its duration has been extended, [if no indictment is filed] by the end of the extended period - the Magistrate Court judge may, at the request of the State Prosecutor, extend the order for an additional year ([hereinafter] in this section – “the additional period”). If no indictment is filed by the end of the additional period, the order will expire; if an indictment is filed by the end of the additional period, the Court



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The Securities Law, 1968

in which the indictment was filed may extend the duration of the order until the end of the legal proceedings.

**56C Powers to investigate**

(Amendment: 5748, 5769)

If a suspicion has arisen regarding the commission of a securities offense, an investigator may:

- (1) Investigate any person who the investigator believes to be connected to the offense or who could have information relating to the offense. For the purpose of the investigation, the investigator will have the powers of a police officer with the rank of an inspector, pursuant to section 2 of the Criminal Procedure Ordinance. The provisions of sections 2 and 3 of the said Ordinance will apply to the investigation;
- (2) Demand of any person that they appear before the investigator or before another investigator for the purpose of providing any detail, document or information relating to the said offense or for questioning, and to demand of any person that they accompany the investigator to the location at which the material will be provided or the questioning will take place;
- (3)
  - (a) Without detracting from the power to search pursuant to any relevant law, an investigator may, soon after the beginning of the investigation or during the course thereof, and after notifying the [affected] person of such, carry out a search or order that a search be carried out of a person's body; and [the investigator may] seize any item, if the investigator believes that the item is required in order to protect the safety of a person, to maintain public order and public security, or in order to prevent an obstruction of the investigation; in this paragraph, the term "search of a person's body" shall mean a search of the surface of the person's body, of his clothes or of his equipment, which is not an external search or an internal search as defined in the Criminal Procedure (Enforcement Powers – Body Search and the Use of Identification Measures) Law 5756-1996.
  - (b) A search pursuant to this section, other than a search of a person's equipment, will be carried out, to the extent possible, by a person of the same gender as the person [being searched] and in a manner that will guarantee a maximal preservation of the person's dignity and privacy.
  - (c) If items are seized in a search conducted pursuant to this section, their seizure will be recorded and they will be held in custody and returned to the party from whom they were seized at the end of the investigation in the course of which such items were seized, unless there is legal authority for their continued holding; the provisions of section 22(c) of the Arrest and Seizure Ordinance will apply to an item which is not returned pursuant to this sub-section.



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## The Securities Law, 1968

### **56C1 Powers to detain, arrest and release**

(Amendment: 5769)

- (a) With respect to securities offenses, an investigator will have the powers to detain, arrest and release that are granted to a policeman pursuant to Chapters B and C of the Arrests Law, and a senior investigator will also have the powers to detain arrest and release that are granted to a police officer and to an officer appointed pursuant to those Chapters, and the provisions of the Arrests Law will apply, mutatis mutandis, and with the following changes:
  - (1) The ISA's offices will be considered to be a police station;
  - (2) Notwithstanding the provisions of section 25 of the Arrests Law, an investigator who has arrested a person may bring that person before a judge without having first brought the person to the ISA's offices.
- (b) If an investigator has arrested a person pursuant to this section and a suspicion arises that the person has in his or her possession an item which could endanger a person's safety, the investigator will have, with respect to such [arrested] person, the powers granted to a policeman pursuant to section 22 of the Arrest and Search Ordinance, mutatis mutandis.

### **56C2 Notice to the Israel Police**

(Amendment: 5769)

In the event of an exercise of the ISA's power pursuant to sections 56B, 56C and 56C1 in connection with offenses pursuant to paragraphs (3) or (4) of the definition of the term "securities offenses," the Chairman of the ISA or a person that the Chairman has authorized for such purpose shall give notice of such exercise to the Inspector General of the Israel Police or a person that the Inspector General has authorized for such purpose, in accordance with procedures which shall be established by the Chairman of the ISA and the Inspector General of the Israel Police for this purpose.

### **56D. Injunction and temporary restraining order**

(Amendments: 5748, 5769, 5770(5), 5771(2))

If the Chairman of the ISA has reasonable grounds to assume that a securities offense or a violation is being committed, or that an offense or a violation is about to be committed, he or she may apply to the Court for an order enjoining the commission of the said offense or violation or the continuation of the acts which are the subject of the said application.

### **56E. Confidentiality**

(Amendments: 5729, 5769, 5771(2))

A person authorized pursuant to sections 52QQ, 56A, 56B, 56B1, 56C or 56F shall not disclose the contents of any information or document coming into his or her possession



### The Securities Law, 1968

by virtue of his or her position, save for purposes of an investigation or for the purposes of an inquiry regarding a violation pursuant to section 52QQ, whichever is relevant, or to the Chairman of the ISA or to an ISA employee in accordance with a directive from the Chairman of the ISA; nothing in this section shall be construed as preventing disclosure upon demand of the Attorney-General for purposes of a criminal trial or upon demand of the Court or of the panel appointed to adjudicate the violation;.

#### **56F. Audit**

(Amendment: 5728)

If the ISA is of the opinion that for purposes of protecting the interests of the investing public it is appropriate to conduct an audit of a corporation which is subject to the provisions of this Law, it may appoint any person, whether or not the said person is an employee of the ISA, to conduct an audit and demand documents and information in accordance with section 56A; the provisions of this section shall not apply to a stock exchange, banking corporation or to an insurer as defined in the Insurance Business (Control) Law, 5741-1981.

#### **56G. Taxes and civil damages**

[Amendments: 5764(2)]

The ISA shall have the same status as the State with regard to -

- (1) The payment of taxes, stamp duty, fees, municipal property taxes, charges and other compulsory payments;
- (2) The Civil Damages (Liability of the State) Law, 1952.

#### **56H Prohibition of indemnification and insurance**

(Amendment 5771(2))

- (a) Notwithstanding the provisions of any law, and without detracting from the provisions of sections 262 through 264 of the Companies Law:
  - (1) No proceeding pursuant to Chapters 8-C, 8-D or 9-A (in this section - a proceeding) may be insured, either directly or indirectly;
  - (2) Any insurance contract covering a proceeding will be void;
  - (3) A corporation may not indemnify and may not pay, either directly or indirectly, any financial sanction imposed on another party, and the controlling shareholder of a corporation may not indemnify and may not pay, either directly or indirectly, any financial sanction imposed on the corporation, on a senior corporate officer in the corporation or on an employee of the corporation;
  - (4) Any provision regarding or any undertaking to provide indemnification with regard to a proceeding will be void.



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## The Securities Law, 1968

- (b) (1) Notwithstanding the provisions of sub-section (a), a person may be indemnified or insured with respect to a payment to a party who was injured by a violation as described in section 52BBB(a)(1)(a), or with respect to a payment of expenses incurred in connection with a proceeding that was conducted regarding such person's matter, including reasonable litigation expenses – including attorney's fees, and including by way of an advance indemnification.
- (2) Any undertaking to indemnify or any insurance for a corporate officer in a corporation pursuant to paragraph (1) will be void, unless the company's by-laws include a provision allowing such.

### **57. Amendment of the Companies Ordinance**

In the Companies Ordinance –

- (1) In section 2(1), the definition of a “prospect” is replaced by:  
“Prospect – a prospectus whose publication has been authorized pursuant to the Securities Law, 5728-1968”;
- (2) The following will be added at the end of section 36(5):  
“This sub-section will not apply to a company which is subject to Chapter 6 of the Securities Law, 5728-1968; such a company will indicate this fact in its annual report”;
- (3) Sections 85, 86, 87, 90, 91, 92(1)(a) are repealed;  
In section 95(3), the words “any prospect regarding the issuance of the shares” are deleted;
- (4) Section 96(1)(a) is repealed;
- (5) The following will be added after section 109:  
“109a. A company which is subject to Chapter 6 of the Securities Law, 5728-1968 will be subject to the provisions of that Chapter instead of to the provisions of sections 107-109;
- (6) Section 250(1)(c)(1) is repealed.

### **58. Effective date**

(Amendment: 5729)

The provisions of Article 2 shall come into effect on 13 Nissan 5729 (1 April 1969); the other provisions of the Law shall come into effect on 15 Tammuz 5729 (1 July 1969).



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The Securities Law, 1968

**59. Qualification to effective date**

(Amendment: 5729)

An offer of securities that is made after 15 Tammuz 5729 (1 July 1969) in accordance with a prospectus that was issued lawfully before that date shall be subject to the law that was in effect before that date, and the provisions of this Law shall not apply thereto.





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The Securities Law, 1968

**First Schedule**

(Sections 15A (b)(1) and 44DD(a)(2))

[Amendments: 5760(2), (3), 5765(4), 5770(4), 5771(2)]

For the purpose of section 15A (b)(1), an “investor” is any one of the following:

- (1) A joint investment mutual fund, as defined in the Joint Investment Trust Law, 5754-1994, or a managing company for such a fund;
- (2) A provident fund or its managing company, as defined in the Control of Financial Services Law (Provident Funds), 5765-2005.<sup>24</sup>
- (3) An insurer, as defined under the Insurance Business (Control) Law, 5741-1981;
- (4) A banking corporation and an auxiliary corporation, as defined in the Banking (Licensing) Law, 5741-1981 - with the exception of joint services companies - purchasing [securities] on their own behalf or on behalf of investor clients who fall within the categories listed in section 15A(b).
- (5) A portfolio manager, as defined in section 8(b) of the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 5755-1995, who purchases for himself or herself or for clients who are investors that are listed in section 15A(b);
- (6) An investment advisor as defined in section 7(c) of the Regulation of Investment Advice and Portfolio Management Law, 5755-1995, purchasing for himself or herself;
- (7) A stock exchange member purchasing for itself or for clients who are investors that are listed in section 15A(b);
- (8) An underwriter regarding whom the qualifications prescribed in section 56(c) have been met, purchasing for itself;
- (9) A venture capital fund; for this purpose, a “venture capital fund” shall mean a corporation whose main business is investing in corporations, which, at the time the investment is made, are primarily engaged in research and development or in the manufacture of innovative and high-tech products or processes, where the risk of investment is higher than what is customary for other investments;

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<sup>24</sup> This item entered into effect 90 days after August 10, 2005. Until then, the text of the item was: “A provident fund, as defined in section 47(a)(a) of the Income Tax Ordinance, or a managing company for such a provident fund.”



The Securities Law, 1968

- (10) A corporation which is primarily engaged in capital market activity and which is wholly owned by investors listed in section 15A(b);
- (11) A corporation, except for a corporation that was incorporated for the purpose of purchase securities in a specific offering, whose equity exceeds NIS 250 million;

**Second Schedule**

(Sections 1, 35T and 35EE)

(Amendment: 5768 (2))

**Foreign stock exchanges**

1. New York Stock Exchange (NYSE)
2. American Stock Exchange (AMEX)
3. National Association of Securities Dealers Automated Quotation — Global Select Market (NASDAQ)
4. NASDAQ Global Market

**Third Schedule**

(Sections 1, 35R, 35T and 35EE)

**(Foreign stock exchange as determined by the Minister of Finance)**

(Amendments: 5765(3), 5766(2), 5768(2))

Foreign stock exchanges relevant to section 35R of the Law:

1. The NASDAQ Capital Market
2. London Stock Exchange- Main Market (Official List of the UK Listing Authority), Primary Listing."

**Schedule 3-A**

(Section 12(d))

(Amendment: 5768(2))

**Separate Arrangements for Handling Applications for Permission to Publish a Prospectus**

1. Prospectuses that are issued in the framework of a privatization, as defined in the Government Companies Law, 5735-1975, if the Ministers Committee on Privatization Matters has determined that under the circumstances it is important, in order to advance the privatization, to apply separate handling arrangements.
2. Prospectuses for the purpose of selling the Shares, as such term is defined in the Bank Shares in the Arrangement Law (Temporary Provision), 5754-1993.



The Securities Law, 1968

3. Prospectuses issued by an issuer which is a company whose independent equity is not less than an amount determined by the ISA with the approval of the Minister of Finance; a notice regarding such a determination will be delivered to the Knesset Finance Committee and will be published in *Reshumot*.
4. Prospectuses issued by an issuer which is a company that is required by law to prepare financial statements that are consolidated with those of several other companies, or to prepare financial statements that include in them investments in other companies based on the balance sheet value method, if in the view of the ISA, the application of separate handling processes to the said combination of companies is justified under the circumstances.
5. Prospectuses for commercial paper.
6. Shelf prospectuses.

**Schedule 3-B**

(Section 35DD(b) and (d))

| Country of incorporation | Exchange outside of Israel   | Type of securities |
|--------------------------|--|--------------------|
| 1. France                | Regulated market that has been approved by the Autorité Des Marchés Financiers | Shares             |

**Fourth Schedule**

(Section 39A)

[Amendment: 5765(2), 5771(2)]

**The Application of Statutory Provisions to a Company Incorporated in a Foreign Country that Offers its Shares to the Public in Israel**

|   | Companies Law          | Regulations enacted pursuant to this Law |
|---|------------------------|--|
| 1. Shareholders' Meetings and Ballots                     | Sections 63-66, 87, 89 |  |
| 2. Chairman of the Board of Directors and General Manager | Sections 95, 121(c)    |  |
| 3. Audit Committee  | Sections 114 – 117     |  |



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| The Securities Law, 1968 |   |  |
|--------------------------|---|--|
| 4.                       | Internal Auditor  | Sections 146 – 153   |
| 5.                       | Right of a shareholder to inspect and receive information | Sections 184, 185  |
| 6.                       | Class and derivative actions                              | Sections 194 – 218   |
| 6a.                      | Term of office of a corporate officer                     | Sections 225-226A, 231-232A, 234 and 251A  |
| 7.                       | External directors  | Sections 239 – 249A  |
| 8.                       | Duties of Corporate Officers                              | Sections 2–2 - 256   |
| 9.                       | Transactions with a Controlling Shareholder               | Sections 270(4), 275 – 282<br>Securities Regulations<br>(Transaction Between a Company and its Controlling Shareholder), 5761-2001 |
| 10.                      | Tender offers   | Sections 328 – 340, 342A<br>Securities Regulations<br>(Purchase Offers), 5760-2000   |

**Schedule 4-A**  
(Section 44DD)  
(Amendment: 5770(4))

1. A transaction related to an agreement or arrangement which is listed for trading on the stock exchange and the value of which is derived from shares listed for trading on the stock exchange or from the value of a continuously updated index, or a transaction involving securities which are listed for trading on the stock exchange, and the transaction is not one of the following:

(1) A securities repurchase transaction, as defined in section 50A(c2);

(2) A transaction the value of which is at least NIS three million.

**Fifth Schedule**  
(Sections 52O(a))  
[Amendment: 5767(2), 5768(2), 5771(2)]

**Part A**

- (1) Offered securities to the public other than in accordance with a prospectus whose publication was authorized by the ISA or with a draft prospectus which had been approved and signed as described in section 22 and submitted to the ISA, in contravention of the provisions of section 15(a), or made a sale to the public other



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The Securities Law, 1968

- than in accordance with a prospectus whose publication was authorized by the ISA, in contravention of the provisions of section 15;
- (2) Failed to provide an issuer with the details required in order to carry out the issuer's duties pursuant to section 17(b)(5), in contravention of the provisions of section 17(c);
  - (3)
    - (a) Failed to submit to the ISA or the Stock Exchange a report, notice, document, explanation, specification or information, or accountant's opinion or review, in the manner or on the date prescribed for such, in contravention of the provisions of sections 26(c), 30, 35D(b)(2), 35N(f), 35O(a), 35W(b), 35X, 35EE(a), 36, 44D, 52AA(b), 52HHH(d), 54C(c), 54F, 56(c)(3) or (d), other than a report pursuant to Regulation 17(a) of the Securities Laws Regulations (Underwriting) – 2007 (hereinafter: "the Underwriting Regulations"), or a report pursuant to Regulation 36A of the Securities Regulations (Periodic and Immediate Reports) -1970 (both, hereinafter – a report of a special occurrence or matter).
    - (b) Submitted to the ISA or to the Stock Exchange a report of a special occurrence or matter later than the date prescribed for such, but earlier than seven days after such date;
  - (4) Failed to notify the ISA of the results of the offer made pursuant to a prospectus, in contravention of the provisions of section 30;
  - (5) Failed to submit to the trustee a copy of any report, document or information at the time prescribed for such, in contravention of the provisions of section 35J.
  - (6) Failed to present an item in financial statements, in a periodic report and/or in an immediate report in accordance with the ISA's instructions and directives issued pursuant to section 36A.
  - (7) Failed to submit to a corporation a notice regarding securities of the corporation that the offender holds or regarding other items regarding the offender, at the time prescribed for such, in contravention of the provisions of section 37.
  - (8) Failed to make copies of a prospectus whose publication has been allowed, or a registration document or of any report, opinion or confirmation included in them or which are mentioned in them, or any report or notice submitted pursuant to sections 36 through 37, for review by any party seeking such, at the main office of the issuer or of the corporation, in contravention of the provisions of section 44;
  - (9) Failed to include in a draft prospectus, a prospectus, a report, a notice, a document or a purchase offer specification which was submitted to the ISA pursuant to this Law, or in a report, review or confirmation which was included or mentioned in a



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The Securities Law, 1968

- reporting with the prior consent of the person who gave the opinion, an item the indication of which the provisions of this Law specially require.
- (10) Acted in contravention of provisions pursuant to section 44J(a), section 129B of the Joint Investment Trust Law or section 40A of the Advice Law;
  - (11) Failed to comply with an instruction or demand issued to the person by the ISA pursuant to section 44R(c) or 44T(b), (d) or (e), at the time prescribed for such;
  - (12) Failed to report or to provide information at the time prescribed for such, or failed to include in a report or in information an item that was required to be included in it, in contravention of the provisions of section 44BB(a) or 44CC(4) or (8).
  - (13) Publicized or marketed a platform in contravention of the provisions of 44CC(7)
  - (14) Failed to comply with an ISA instruction issued pursuant to section 50C(b), at the time prescribed for such, or failed to deliver to the ISA information or a document the delivery or which had been requested pursuant to section 50C(d), at the time and in the manner prescribed for such;
  - (15) Failed to publish, at the time prescribed for such, a notice in a newspaper pursuant to section 55B(a), regarding one of the acts listed in the following sub-items, in contravention of the provisions indicated in the same sub-items:
    - (a) The submission of documents regarding a prospectus whose publication has been authorized, in contravention of the provisions of section 23(c)(2);
    - (b) The allocation of securities for which orders have been submitted which exceed the total number of the securities being offered, in contravention of the provisions of section 27(b)(2);
    - (c) The submission of a registration document to the ISA, the Registrar and the Stock Exchange, in contravention of the provisions of section 35V(a);
    - (d) The adoption by a listed company's board of directors of a resolution regarding an offering of the issuance of securities which is not a public offering, (hereinafter: "a private offering"), in contravention of the provisions of Regulation 3(a)(2) of the Securities Regulations (Private Offering of Securities in a Listed Company)-2000 (hereinafter: "the Private Offering Regulations");
    - (e) An amendment of a report regarding a private offering, in contravention of the provisions of Regulation 17(c) of the Private Offering Regulations;



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The Securities Law, 1968

- (f) A notice of a transaction between a controlling shareholder and the terms thereof and of the convening of a general meeting for the purpose of approving it, in contravention of the provisions of Regulation 2(a)(2) of the Securities Regulations (Transaction Between a Company and a Controlling Shareholder Therein) - 2001 (hereinafter: “the Controlling Shareholder Transaction Regulations”);
- (g) A notice of the submission of a specification, in violation of Regulation 20B of the Securities Regulations (Purchase Offer) – 2000 (hereinafter: “the Purchase Offer Regulations”);
- (16) Included a misleading item in a notice in a newspaper pursuant to this Law, in contravention of the provisions of section 55B(b).
- (17) Failed to provide information or a document, in contravention of a demand issued by the ISA Chairman or an ISA employee authorized for such which was addressed to a supervised party in order to ensure the implementation of this Law or because the Chairman or employee had a reasonable basis for believing that a violation has been committed, in contravention of the provisions of section 56A or in contravention of the provisions of section 56A1;
- (18) Insured, indemnified or paid a financial sanction in the place of another party in contravention of the provisions of section 56H;
- (19) Executed a purchase offer without having published a purchase offer specification pursuant to Regulation 5 of the Purchase Offer Regulations;
- (20) Failed to make available for review a board of directors opinion, or a board of directors notice that it is refraining from giving an opinion, in a special purchase offer, in contravention of the provisions of Regulation 21(b) of the Purchase Offer Regulations;
- (21) Failed to postpone the last acceptance date for a special purchase offer, in contravention of the provisions of the ISA’s instructions pursuant to Regulation 23(c) of the Purchase Offer Regulations;
- (22) Failed to offer to purchase, in a purchase offer, all the securities that are convertible into the shares offered in the original purchase offer, which are listed for trading on a stock exchange in Israel, at the time and pursuant to the conditions prescribed for such pursuant to Regulation 26 of the Purchase Offer Regulations;
- (23) Failed to make available for review by any party requesting such, at the underwriter’s main office, copies of a report or of notices, and did not allow them



The Securities Law, 1968

to be copied in accordance with the provisions of Regulation 18 of the Underwriting Regulations;

- (24) Failed to preserve documents, in contravention of the provisions of Regulation 27 of the Underwriting Regulations.

**Sixth Schedule**

(Sections 52O(a))

[Amendment: 5767(2), 5771(2)]

1. For reporting corporations and non-reporting corporations who have offered their securities to the public -

| Equity<br>(in NIS)             | Ranking | Amount of Financial Sanction<br>(In NIS) |
|--------------------------------|---------|--|
| Up to 35,000,000               | A       | 30,000                                   |
| From 35,000,001 to 70,000,000  | B       | 60,000                                   |
| From 70,000,001 to 140,000,000 | C       | 120,000                                  |
| From 140,000,001               | D       | 240,000                                  |
| Above 280,000,000              | E       | 500,000                                  |

2. For corporations that are underwriters

| Scope of Underwriting<br>Commitments in the Year Ending Prior to<br>the Date of the Demand for Payment (in<br>NIS) | Ranking | Amount of<br>Financial<br>Sanction<br>(In NIS) |
|--|---------|--|
| Up to 70,000,000   | A       | 20,000   |
| From 70,000,001 to 120,000,000   | B       | 40,000   |
| From 120,000,001 to 200,000,000  | C       | 80,000   |
| Above 200,000,000  | D       | 160,000  |

3. For corporations whose primary occupation is the issuance of financial products –

| Value of Net Liabilities (in NIS)    | Ranking | Amount of Financial<br>Sanction<br>(In NIS) |
|--------------------------------------|---------|---|
| Up to 50,000,000                     | A       | 250,000                                     |
| From 50,000,001 to 500,000,000       | B       | 500,000                                     |
| From 500,000,001 to<br>5,000,000,000 | C       | 750,000                                     |
| Above 5,000,000,000                  | D       | 1,000,000                                   |





The Securities Law, 1968

4. For a clearinghouse as defined in section 50A and regarding a company holding a trading platform license as defined in Chapter 7-C – NIS 500,000.
5. For any other corporation or an individual – NIS 6,000.

**Seventh Schedule**  
(Section 52EE)

**Part A**

- (1) Failed to give special prominence to a specific item in a prospectus which the ISA had instructed should be given special prominence, in the manner requested, in contravention of the provisions of section 20(b);
- (2) Accepted orders before the commencement of the period for placing orders or after the conclusion of such period, in contravention of the provisions of section 24(d);
- (3) Failed to refund to parties who placed orders the amounts that they paid on account of securities, within the period prescribed for such, in contravention of the provisions of section 27(a) or (b)(3), or carried out an allotment of securities other than in the form and manner prescribed in the prospectus, in contravention of the provisions of section 27(b)(1);
- (4) Listed for trading on the stock exchange securities that are offered pursuant to a registration document, other than at the time prescribed in section 35W(a);
- (5) Failed to make available to a shareholder for review or failed to send to a shareholder, at the shareholder's request, a copy of a document relating to an allotment of securities in a listed company which were not offered to the public, in contravention of the provisions of Regulation 6 of the Private Offering Regulations;
- (6) Failed to make available to a shareholder for review or failed to send to a shareholder, at the shareholder's request, a copy of a document relating to a transaction with a controlling shareholder, in contravention of the provisions of Regulation 5 of the Controlling Shareholder Transaction Regulations.

**Part B**

- (1) Carried out a sale other than at a uniform price, in contravention of the provisions of section 17A;
- (2) Offered securities that are listed for trade on the stock exchange or which are about to be listed for trade on the stock exchange, or sold such securities, other than pursuant to equal terms and in a uniform manner to all, in contravention of



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The Securities Law, 1968

- the provisions of section 17C(a)(1), or established a maximum price for securities that are being offered in a uniform offer in contravention of the provisions of section 17C(a)(2), or offered securities which are listed for trade on the stock exchange or which are about to be listed for trade on the stock exchange in contravention of conditions or restrictions established regarding this matter pursuant to section 17C(b);
- (3) Failed to include in a prospectus a matter that was required to be included in it pursuant to a demand from the ISA issued pursuant to section 20(a);
  - (4) Continued to offer securities pursuant to a shelf prospectus, in contravention of the provisions of ISA instructions issued pursuant to section 23A(e);
  - (5) Failed to publish an amendment to a prospectus or an amended prospectus, in the form, manner or time prescribed for such in ISA instructions issued pursuant to sections 25(a) or 25A(b);
  - (6) Offered certificates of indebtedness to the public without having appointed a trustee for the holders of the said certificates, in contravention of the provisions of section 35B(a);
  - (7) Purchased or held certificates of indebtedness of the series for which the offender serves a trustee, or securities of the issuer or of its parent company, of its subsidiary or affiliated company, in contravention of the provisions of section 35L;
  - (8) Failed to comply with the conditions prescribed in section 44M(B)(1), (4) and (5), in contravention of the provisions of section 44N;
  - (9) Made an offer to trade on a trading platform in contravention of the provisions of section 44O, when the offender should have known that platform is not managed by a company with a platform license, or by a party which is permitted to manage a trading platform;
  - (10) Extended credit to customers in contravention of the provisions of section 44P(b);
  - (11) Violated the notification duty established in section 44V;
  - (12) Transferred means of control in a company holding a platform license in contravention of the provisions of section 44Y;
  - (13) Deviated from the permitted leverage rate set for financial instruments traded on a trading platform, in contravention of provisions established pursuant to section 44CC(1);



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The Securities Law, 1968

- (14) Failed to handle customers' funds in accordance with provisions established pursuant to section 44CC(3);
- (15) Failed to preserve documents or to record transactions in accordance with provisions established pursuant to section 44CC(5) or (9);
- (16) Included in a notice published in a newspaper pursuant to this Law a misleading item, or omitted from such a publication an item the omission of which is apt to mislead a reasonable investor, in contravention of the provisions of section 55B(b), and the offender should have known that this inclusion or omission could mislead a reasonable investor;
- (17) Having been authorized pursuant to section 56F - disclosed the content of information or of a document coming into his or her possession pursuant to the person's function, in contravention of the provisions of section 56E;
- (18) Insured its own liability, in an amount and under terms which it knew or should have known are not sufficient to insure all of its liability to Chapter E of the Law, in contravention of the provisions of Regulation 5 of the Underwriting Regulations;
- (19) Failed to invest the amount prescribed in Regulation 6(a) of the Underwriting Regulations (hereinafter: "the Deposit") or did not do so in the manner prescribed in that sub-section, and failed to deposit it for safekeeping pursuant to the provisions of Regulation 6(b) of the Underwriting Regulations, or deposited it other than in accordance with the provisions of Regulation 6(b) of the Underwriting Regulations, or pledged or withdrew the Deposit in contravention of the provisions of Regulation 6(b) of the Underwriting Regulations;
- (20) Withdrew a purchase offer in contravention of the provisions of Regulation 4 of the Purchase Offer Regulations;
- (21) Made a purchase offer other than in accordance with the provisions of Regulation 5 of the Purchase Offer Regulations, or set a last acceptance date in contravention of the provisions of Regulation 6 of the Purchase Offer Regulations or acted other than in accordance with Regulation 7 of the Purchase Offer Regulations;
- (22) Sold or undertook to sell, or purchased or undertook to purchase, during the acceptance period, securities that are the subject of a purchase offer, other than in accordance with Regulation 24 of the Purchase Offer Regulations.

**Part C**

- (1) Offered securities to the public, other than pursuant to a prospectus the publication of which was authorized by the ISA or pursuant to a draft prospectus which was approved and signed as described in section 22 and which was



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### The Securities Law, 1968

- submitted to the ISA, in contravention of the provisions of section 15(b), and the offender should have known that this was an offering of securities to the public or a sale of securities to the public other than in accordance with such a prospectus or draft prospectus, whichever is relevant;
- (2) Failed to submit to the ISA or the Stock Exchange a report, notice, document, explanation, specification or information, or an accountant's opinion or review, in the manner or on the date prescribed for such, in contravention of the provisions of sections 25(d), 26(c), 30, 35D(b)(2), 35N(f), 35O(a), 35X, 36, 44D, 52AA(b), 52HHH(d), 54C(c), 54F or 56(c)(3) or (d), due to serious negligence, when the offender should have known that this could have misled a reasonable investor;
  - (3) Failed to submit to the ISA a report or notice which the offender published or submitted pursuant to foreign law, or which it published or submitted to investors in its securities that are listed for trading on a foreign stock exchange, at the time prescribed for such, in contravention of the provisions of sections 35W(b) or 35EE(a), when the offender should have known that this could have misled a reasonable investor;
  - (4) Included a misleading item in a draft prospectus, prospectus, report, notice, document or purchase offer specification that was submitted to the ISA pursuant to this Law, in contravention of the provisions of sections 44A1(a), or included a misleading item in an expert opinion, report, review or confirmation included or mentioned in one of the above with the prior consent of the party giving the opinion, in contravention of the provisions of sections 44A1(b), when the offender should have known that this could have misled a reasonable investor;
  - (5) Managed a trading platform without a platform license or in contravention of its terms, in contravention of the provisions of section 44M;
  - (6) Included a misleading item in its reporting, its publications or in any other information **which it provided**, in contravention of the provisions of section 44Q(b), when the offender should have known that this could have misled a reasonable investor;
  - (7) Failed to report or failed to provide information at the time prescribed for such, or failed to include in its reporting or in information which it provided, an item which it was required to include in such, in contravention of provisions established pursuant to section 44BB(a) or 44CC(4) or (8), when the offender should have known that this could have misled the ISA or a reasonable client;
  - (8) Managed a stock exchange without obtaining a license for such in contravention of the provisions of section 45;



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The Securities Law, 1968

- (9) Carried out a transaction in a security of a company or in a different security for which the company's security is an underlying asset, in contravention of the provisions of section 52C(a), when the party carrying out the transaction should have known that either the party or the company had inside information; however, if it is proven that one of the defenses listed in paragraphs (1) or (4) through (9) in section 52G(a) is applicable, the party will not be deemed to have committed a violation;
- (10) Provided inside information or an opinion on a security, to a person that the party providing the information or opinion should have known would make use of such information or would utilize such opinion for the purpose of a transaction or would deliver it to another person, in contravention of the provisions of section 52C(a) or 52D(a), when the party providing the information or opinion should have known that the information was inside information or an opinion on a security; however, if it is proven that one of the defenses listed in item 6 is applicable, the party providing the information or opinion will not be deemed to have committed a violation;
- (11) Made use of inside information that the party received either directly or indirectly from an insider in a company, in contravention of the provisions of section 52D(a), when the party should have known that the material was inside information coming from an insider in the company; however, if it is proven that one of the defenses listed in item 6 is applicable, the party will not be deemed to have committed a violation;
- (12) Bought or sold a security other than in the course of trading on a stock exchange or other than pursuant to a written instruction that he or she gave at least one day before the execution of the purchase or sale, in contravention of the provisions of section 52I(b), or held his or her securities other than in an account in the offender's name with a stock exchange member in contravention of the provisions of section 52I(c), or gave an instruction to purchase or sell a security other than in accordance with the provisions of section 52I(d);
- (13) Served as an underwriter without being listed in the register of underwriters, or was not in compliance with one of the conditions for being so registered, or acted as an underwriter while being listed in the said register as having inactive status, in contravention of the provisions of section 56(c)(4a);
- (14) Being an underwriter, having had persons serve as directors, corporate officers or employees of the underwriter other than in accordance with the conditions prescribed in the provisions of Regulations 7 or 19 of the Underwriting Regulations;
- (15) Made an underwriting commitment which exceeds 15 percent of all of the underwriting commitments that it has made, or served as a pricing underwriter in a public offering which is not an offering of shares included in the Tel Aviv 25



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The Securities Law, 1968

Index, all in contravention of the provisions of Regulation 10 of the Underwriting Regulation;

- (16) Served as a distributor without being in compliance with the requirements of Regulation 23 of the Underwriting Regulations;