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Joint Investment Trust Regulations (Foreign Fund Unit Offerings) -2016

As per my authority under Sections 113B, 113C and 131(A) of the Joint Investment Trust Law - 1994¹ (hereafter: “the Law”), pursuant to the proposal of the [Securities] Authority as approved by the Knesset Finance Committee, I hereby enact the following regulations:

Interpretation

1. In these regulations –

"Eve of the application" - the last trading day of the month preceding the submission of the application to offer its units in Israel, unless this day precede the submission of the application at least in two weeks time – the last trading day of the month that precede that month;

“Foreign stock exchange” – as defined in the Securities Law, 1968;

“Foreign fund” – as defined in Section 113A of the Law, including a fund which is part of an umbrella fund;

"Offset mechanism" - The arrangement set in the stock exchange by-laws, as defined in Section 46 of the Securities Law according to which the percentage of the price of a security traded on a stock exchange in Israel or on a foreign stock exchange, as applicable, is set for each security stipulated in it, which is taken into account for the purpose of setting the maximal margin a non-bank stock exchange member is allowed to extend to a client against a security;

“Regulatory Agency”, “Foreign Fund Units” “Country of Origin” and “Foreign Fund Manager” – as defined in Section 113A of the Law;

"Total value of assets managed by a foreign fund manager" - The total value of assets in funds and client portfolios managed by the foreign fund manager, a person controlling it or a company controlled by such person;

For this purpose, “client portfolio”- financial resources of a third party, managed by the foreign fund manager;

“Traded Foreign Fund” – a foreign fund the units of which are traded on an

¹ *Sefer HaHukkim* (Book of Laws) 1480, 5754 (August 23, 1994), p. 308 and 5766 (March 20, 2006), p. 292

exchange or regulated market outside of Israel;

"Umbrella Fund"- a group of funds offered under a single prospectus.

Criteria for offering foreign funds in Israel

2. (a) The ISA is authorized to permit the manager of a foreign fund to offer units of that fund to the Israeli public if it is proven that the following criteria are met at the time the application is submitted:
 - (1) The total value of assets managed by the foreign fund manager on the eve of the application, is at least twenty billion US dollars or the equivalent in another currency.
 - (2) The foreign fund manager manages no less than five foreign funds, the units of which are offered to the public for at least five years, and the total value of assets held in each of these funds during the two years preceding the day the foreign fund manager submitted an application to offer foreign fund units in Israel is at least five hundred million US dollars, or the equivalent in another currency.
 - (3) The foreign fund manager deposited a bank guarantee issued by a bank in Israel for a sum of at least one million NIS, or in lieu of a bank guarantee, a deposit in an account at a bank in Israel attached by a lien to the ISA; The fund manager is entitled to deposit cash or securities (hereafter a "securities deposit") solely if their value at any time is no lower than the required cash. For this purpose, "securities" – which are traded on a stock exchange in Israel or on a foreign stock exchange and which are stipulated in the offset mechanism.
 - (4) The foreign fund manager deposited in an account at a bank in Israel the sum stipulated in Supplement one in a cash deposit or in securities account, for the benefit of the unit holders in Israel; the value of the securities shall be calculated according to paragraph (3).
 - (5) The manager of the foreign fund appointed a representative in Israel (hereafter – "the representative") to serve as liaison between itself and the ISA and between itself and the unit holders in Israel, for all matters concerning the transfer of orders, announcements or queries by the ISA

or the unit holders to the foreign fund manager, and for the purpose of issuing reports, documents, replies or responses from the foreign fund manager to the ISA or the unit holder.

- (6) The foreign fund operates under the law of those stipulated in Supplement two, and the fact that the fund has received a permit from the regulatory agency in its country of origin is articulated in either the fund's prospectus or in a letter submitted by the fund to the regulatory agency or that has been publicly released;
- (7) The net asset value of the foreign fund as of the eve of the application, is at least fifty million US dollars or the equivalent in another currency and its units are offered for purchase in one of the European countries or in the United States, during a period of at least twelve months prior to the commencement of their offering to the public in Israel.
- (8) Should the fund be a traded fund – the offered units are listed for trading on a foreign stock exchange;
- (9) Unit prices of the foreign fund are regularly published on a website and are available without cost to the public at any time.
- (10) The foreign fund does not specialize in investments in Israel.
- (11) The rights of unit holders of a foreign fund purchased in Israel, which derive from their holdings in the fund, are identical to the rights of any unit holder of the foreign fund.

(b) The sum of the bank guarantees under sub regulation a(3) and the sum of the bank deposits under sub regulation a(4) shall be updated on January 1st of each year (hereafter – updating day) according to the relative change of the new index against the base index, and will be rounded to the nearest multiple of 100,000 NIS. For this purpose, "the index" –the consumer price index published by the Central Bureau of Statistics; "the new index" – the last index published before the updating day; "base index" – the index published in December 2016.

Application for permit to offer foreign fund units in Israel

3. (a)

A foreign fund manager applying for an offering of units of a foreign fund under its management in Israel shall file an application to the Authority which will include or have attached the following details and authorizations:

- (1) An affidavit by a corporate officer in the foreign fund manager verifying that the fund manager and the fund meet the criteria stipulated in regulation 2(a)(1),(2) and (6) through (9); The said affidavit shall include the particulars articulated in regulation 4(a) (4) through (7) and (9), as well as the fact that the total value of the funds mentioned in sub-paragraph (2) of Regulation 2 was no lower than five hundred million US dollars, or the equivalent in another currency, in the two years preceding the day on which the foreign fund manager submitted its application to offer foreign fund units in Israel;
- (2) Documents verifying, that it has operated as stipulated in regulations 2(3) and (4);
- (3) The foreign fund prospectus under which the units are being offered at the same time in a foreign country, in addition to an annex signed by the fund manager, which includes all the details stipulated in regulation 4;
- (4) A valid permit to offer units of the foreign fund, issued by the regulatory agency in the country of origin;
- (5) Verification of the payment of application fee as stipulated in the Securities Regulations (Application Fee for the Grant of Permission to Publish a Prospectus), 1995.

- (b) A foreign fund manager may also attach to the application a summary of the prospectus it is required to publish under the laws of its country of origin along with the prospectus.
- (c) The ISA chairman, or an employee authorized by him for this purpose, is entitled to demand additional documents as necessary for ISA vetting of the application;
The application and documents stipulated in sub-regulations (a) and (c) shall be in Hebrew, although the foreign fund prospectus can be in English; the names that must be mentioned under these regulations will appear as well in the language of origin in Latin letters; the translation of documents or the foreign fund prospectus shall include an announcement by the foreign fund manager, certifying that the translation is true and correct to the documents or prospectus submitted in the country of origin and that the translated version is binding.
- (d)

4. *Annex to the foreign
fund prospectus*

- (a) The annex to the prospectus of a foreign fund shall include the following details, as specified in this regulation:
- (1) At the top of the page the following title: “Annex to Fund Prospectus” and the name of the foreign fund;
 - (2) An announcement in bold containing the following text: “The management of this fund is carried out in accordance with the legal provisions of its country of origin and not according to the provisions of the

Joint Investment Trust Law -1994. The fund prospectus to which this annex is attached has not been examined by the Israel Securities Authority, and the latter does not supervise neither the fund nor its manager; an investor that is considering buying units or shares of this fund should take into account that the laws and oversight governing mutual funds in Israel do not apply to this fund."

- (3) The name of the foreign fund manager and controlling stakeholders in it;
- (4) The net asset value of the foreign fund on the eve of the application and the countries the fund's units are offered for purchase;
- (5) The total value of assets under management of the foreign fund manager on the eve of the application;
- (6) The names of the ten largest foreign funds managed by the foreign fund manager on the eve of the application, which have been offered to the public for at least five years and the value of the assets held by each one of the said funds, stated in terms of U.S. dollars on the eve of the application;
- (7) The name of the representative and its

address, including its fax number and e-mail address;

- (8) The foreign fund's country of origin, the law under which the foreign fund operates and the name of the agency responsible for supervising the foreign fund manager in its country of origin;
- (9) The investment policy of the foreign fund, in the words appearing in the foreign fund prospectus submitted to the ISA, an information about the fund results and changes in the fund's benchmark in the years preceding applying the application, according to the periods in which an Israeli fund manager is demanded to reveal the fund's yield according to regulation 18 of the Joint Investment Trust (Annual report of a fund) regulations, 2016, at the required changes;
- (10) The fact that the prospectus of the foreign fund is published on the ISA distribution site citing its URL;
- (11) Special risk factors associated with the fund's investments, as engendered in the fund's investment policy, the nature of its assets and the markets in which these assets are traded or factors stemming from the manner in which the fund's investments are managed.
- (12) The places, including websites, on which unit prices of the foreign fund are

quoted and additional information on the fund can be found;

- (13) The manner in which units can be ordered and the date on which buyers will receive their units and will be debited payment for their purchase;
- (14) The manner in which unit holders can redeem their units, the date on which the unit will be redeemed and the date on which the redeemers will be credited for their redemption;
- (15) The fees charged by the foreign fund manager at the time units are purchased or at the time of their redemption – should such fees exist, as well as management fees and other costs paid from the fund's assets;
- (16) Additional fees, to the best knowledge of the fund manager, which investors purchasing the foreign fund units could be charged. A statement as to whether additional fees are known to the fund manager shall be placed in a footnote as follows: “Additional costs may be collected from investors by distributors, and these may affect the return on investment in the fund”.
- (17) The fact that the foreign fund manager is required to send unit holders in Israel any statement that it is required to send unit holders in the country of origin, on

a date as close as possible to the date of reporting to the unit holders in the country of origin and in the same manner that it releases these statements to the unit holders in the country of origin;

- (18) The frequency in which the foreign fund's prospectus must be approved by the regulatory agency;
- (19) The latest date on which the permit to offer the fund units was given by the regulatory agency in the country of origin;
- (20) The signature of the representative and the date signed;
- (21) Should a prospectus of a foreign fund be translated from another language, the annex shall also include:
 - (a) Certification by the translator that the prospectus of the foreign fund was translated from the original version of the foreign fund's most recently published prospectus that is valid; that the translator is proficient in both the language of the prospectus and the language into which it has been translated and that the translation is true to the original;
 - (b) The name and complete address of the translator and his approval that the certification

under this paragraph shall be included in the annex.

(b) In the annex of the prospectus of a traded foreign fund, instead of the details listed in subparagraphs (12) through (14) in sub-regulation (a), the stock exchange on which the fund units are traded, the fund's symbol on the exchange on which its units are traded and the URL of the website on which the unit's prices set for the fund during trading on the said exchange are posted. If the fund's units are also traded on a stock exchange in Israel, this and the fund's symbol in Israel must be mentioned as well.

(c) The ISA chairman, or an employee authorized by him for this purpose, are entitled to instruct the manager of a foreign fund to include additional details to those stipulated in this regulation in the annex, as well as the manner of their submission.

(d) The annex to the prospectus of a foreign fund shall be considered an integral part of the foreign fund prospectus for all intents and purposes in the State of Israel.

Public offering of foreign fund units 5. (a)

The public offering of foreign fund units, including by way of listing units for trading on a stock exchange in Israel, shall be effected according to the fund's foreign prospectus on which the units are offered at that time, and which has been submitted to the ISA.

(b) Foreign fund units shall not be offered to the public in Israel until –

(1) The ISA issues a written notice expressly permitting the foreign fund manager to conduct an offering or to list units for trading on a stock exchange in Israel, and only after the foreign

fund prospectus and the annex to it are posted on the ISA distribution site;

- (2) Should the public offering be by way of listing units for trading on a stock exchange - after the stock exchange has also approved the listing.

(c)

Should the ISA permit a foreign fund to offer foreign fund units to the public in Israel or list the units of a traded foreign fund on a stock exchange in Israel, the foreign fund manager shall submit a report regarding this within fifteen days from the day the ISA permit is issued, and shall publish the foreign fund prospectus and the annex on the distribution site on the same date.

- (d) On the report aforementioned in subparagraph (c) the foreign fund manager shall also state the date it will begin offering the foreign fund units, the name of the representative acting on its behalf, which was appointed under the provisions of Regulation 2(5), and that it is in fact the said representative, its address and the means to contact it, as well as the fact that the foreign fund prospectus and annex are published on the ISA distribution site, and the places at which orders to purchase or redeem the offered units can be submitted.
- (e) The ISA chairman, or an employee authorized by him for this purpose, is entitled to instruct that additional details be included in the report aforementioned in subparagraph (c) and the

manner of their inclusion.

Starting date for units offering and listing for trade

6.

The initial public offering of units in Israel or the listing of units of a traded fund shall commence at the end of seven days starting the day the foreign fund manager publishes a report under regulation 5(c), and no later than thirty days after the ISA issued its permit for the public offering of units in Israel or for their listing on a stock exchange in Israel.

The representative

7. (a)

The following can serve as the representative of a foreign fund in Israel:

- (1) An Israeli fund manager.
- (2) A foreign fund manager, a person controlling it or a company controlled by such person, which has a branch in Israel, and solely if the employee appointed by it to fulfill the duties and obligations of the representative under regulation 2(5) is a Hebrew speaker.
- (3) An authorized corporation under the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law-1995.

(b)

The address of the representative shall serve as the registered address of the foreign fund manager in Israel; orders, announcements, documents or queries delivered to a foreign fund manager through its representative shall be considered received by the foreign fund manager and documents, replies or responses received through the representative shall be binding on the foreign fund manager.

(c)

An action carried out by the representative under the

orders of a foreign fund manager or within the framework of the fulfillment of its duties as a representative shall be binding on the foreign fund manager.

(d) A foreign fund manager shall appoint a representative to replace a representative whose tenure has ended for reasons other than those stipulated in sub-regulation (e), within thirty days. A representative whose tenure has ended shall continue to serve in its position until the date on which another begins serving as representative on behalf of the foreign fund manager.

(e) Should a foreign fund manager cease to offer foreign fund units to the public in Israel, it is entitled to discontinue the tenure of the representative acting on its behalf, and solely if the foreign fund manager issues a report to this effect sixty days prior to the termination of the tenure as stipulated in regulation 8(a)(3).

Issue of reports to the ISA and unit holders 8. (a)

A foreign fund manager shall issue the following reports to the ISA for publication on its distribution site and the Tel Aviv Stock Exchange online message system:

- (1) All reports it is required to issue under law or under the foreign fund prospectus, including under the rules set by those authorized to do so in the fund's country of origin, to the regulatory agency or to unit holders in the country of origin, as well as all reports it issued to any or all of these parties, on the date designated for this by law or in the prospectus, or on a date close to the date on which it was reported to any of the parties stipulated above, the earlier of the two

dates;

(2) A report announcing the discontinuation of the offering of fund units managed by it to the public in Israel, whether as per ISA instructions under Section 113G of the Law or as initiated by the foreign fund manager, immediately after it received such an instruction or made the decision to discontinue the offering of units, as applicable; the said report shall include the following:

- (a) The name of the fund;
- (b) The date the offering of units is to be discontinued;
- (c) The fact that the unit holders' right to redeem the units held by them shall not be impinged and details regarding the manner and places their units can be redeemed;
- (d) Should the units of the foreign fund be listed on a foreign and Israeli stock exchange, instead of that stated in subparagraph (c), the name of the exchange on which the foreign fund units continue to trade, and should they discontinue trading on any exchange, the fact that the right of the foreign fund unit holders to redeem units held by them shall not be impinged and details regarding the manner and

places their units can be redeemed;

(e) The discontinuation of the representative's activities and the date its tenure ceases;

(f) The following statement: "Given the discontinuation of the offering of units to the public in Israel, the fund manager shall cease to post the reports it is required to issue in its country of origin on the ISA distribution system". The manner the reports are posted in the country of origin will be stated as well.

(3) a report on the termination of the tenure of the appointed representative immediately following its termination and the appointment of a representative replacing the representative whose tenure was terminated, immediately following the appointment; the said reports shall state the names of the funds whose units it is offering to the public in Israel, the fact and date of the termination of tenure and the identity of the replacement representative and the date of the commencement of its tenure, as applicable.

(4) A consolidated report for all the foreign funds managed by the foreign manager, the units of which are offered to the public in Israel regarding the value of units held by distributors in Israel to the best of the fund manager's knowledge, specifying the value

of units held of each fund by each relevant distributor individually, and whether there is a signed distribution agreement with each distributor. The said report will be compiled to reflect the last business day of each quarter and will be submitted no later than the last business day of the first month succeeding the end of the quarter.

- (b) The report aforementioned in subparagraph (a) shall be written in either Hebrew or English; should the report be translated from another language to either Hebrew or English – the report shall include certification by the foreign fund manager, that the report constitutes a true translation of the report submitted in the country of origin and that the translated version is also binding.
- (c) The fund manager shall also publish the reports stipulated in subparagraph (a)(1) in the manner set for this in the laws of the country of origin;
- (d) The foreign fund manager shall issue the reports stipulated in subparagraph (a) (2) and (3) to the holders of units that were offered in Israel, according to their known addresses at that time and shall arrange that the distributors through which the units are held issue these reports to them.

ISA demand for information

- 9. The ISA or an employee authorized by it for this purpose are entitled to demand information from a foreign fund manager relating to it or to funds managed by it that are offered in Israel, and to instruct as to the manner in which this information is disclosed as well as the deadline for its disclosure.

Forfeiture of guarantee

- 10. Should a foreign fund manager fail to pay a fine under Chapter 10 of the Law and fees to the ISA, following the passage of thirty days from the payment due

date, or from the date the fine became final, the later of the two, the ISA is entitled to petition the court for an injunction ordering the forfeiture of the bank guarantee or deposit, as per regulation 2(3), either in part or in its entirety.

Manner of foreign fund reporting

11. Documents submitted to the ISA under these regulations, shall be submitted in accordance with the instructions stipulated in Chapter 7A of the Securities Law-1968, through a reporting form as defined in the Securities (Electronic Signature and reporting) Regulations – 2003, the title of which conforms to the document submitted.

Inclusion of a warning

12. A publication published by a foreign fund manager regarding a foreign fund managed by it, shall include a warning concerning the fact that the fund and its manager are not subject to the laws and supervision applicable to mutual funds in Israel. This provision shall not apply to the publication of a prospectus or the reports required under this law or to the publications required of a foreign fund manager to publish under the laws applicable to it.

Violation of legal provisions

13. Foreign fund unit holders offered in Israel are entitled to file suit against a foreign fund manager and its representative in a court in Israel, as applicable, for damages incurred following the violation of a provision of the Law conducted by one of them, or for violations made by the foreign fund manager of the law under which the fund operates.

Effective date

14. These regulations will come into effect six months from the date they are published.

Regulation 2(4)

Value of units held by Israeli Distributors	Required Deposit
0-250 million NIS	250,000NIS
More than 250 million – 1 billion NIS	500,000 NIS
More than 1 billion – 5 billion NIS	2 million NIS
More than 5 billion – 10 billion NIS	0.07% of the value of units held by Israeli distributors
Over 10 billion NIS	0.05% of the value of units held by Israeli distributors and solely if not less than 7 million NIS and not more than 12 million NIS.

Supplement Two

(Regulation 2(6))

(1) Directive 2009\65\ of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)” as amended or will be amended from time to time in keeping with the authorized legislative bodies of the European Union.

(2) The Investment Company Act of 1940, according to the version existing at the time these regulations are legislated, or as will be amended from time to time.

_____, 5776

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Moshe Kahlon
Minister of Finance