Procedure for Obtaining a Ruling from the Israel Securities Authority

Requests for a ruling involve an enquiry or concrete request for the position of the Israel Securities Authority ("ISA") on an issue that will arise in the future. A ruling request relates to a particular group of facts concerning a transaction or action that obligates the ISA only regarding those facts (and it should be made clear that theoretical/academic questions should not be submitted as part of the ruling process). Such a request is brought to the staff of the ISA prior to the execution of the planned action in an area that is under the supervision or ISA of the ISA, with the goal of obtaining guidance, an opinion or an answer and to act according to it.

The ruling request is in general a complex question with innovative or cross-sectional elements, whose answer is not obvious. The ISA uses its discretion as to the urgency and necessity of answering a ruling request in light of these characteristics.

Ruling requests can be divided into two main types: a request for guidance from the ISA regarding the execution of an action or future transaction by the entity making the request (pre-ruling) and a request to receive a no-action letter, i.e. confirmation from the ISA that it will not take any future enforcement action in certain circumstances as described in the request.

On January 16, 2007 and April 17, 2007, the ISA approved decisions that regulate the ruling requests made to the ISA and their disclosure to the public. According to the ISA's decision, ruling requests will be made in the format described below and requests, together with the responses to them, will be published on the ISA's website, in accordance with criteria determined by the decision of the ISA and which also appear below.

The following format will apply to all ruling requests submitted to any department of the ISA.

Procedure for submitting a ruling request

An entity interested in obtaining a ruling from the ISA will adhere to the following procedure:

If the entity is under the supervision of the ISA or if the request is being made in its name, the request will be submitted via the Magna System, on a form called "Correspondence with the ISA" [e.g: if the request is to the Corporate Finance Department of the ISA – the entity will use the form called "Correspondence with the ISA for a ruling" (T-207)].

If the entity is not connected to an entity under the supervision of the ISA and the ruling is not being made in the name of such an entity, the request will be submitted by fax or by e-mail and will specify to which department it is intended.
The request will be signed by an individual and will give his name and function or title or his connection to the entity which the request refers to.

**Content of the ruling**

The request for a ruling will include a full description of the facts related to or relevant to the issue being discussed, a description or opinion of the entity making the request regarding the legal or accountant situation that applies to the issue being discussed in the request and the entity’s proposed solution to the problem being raised.

The request should be specific, detailed and appropriately argued. The request must be in writing.

A ruling request to the ISA **must** include the following details:

1. Names of those connected to the request: the name of the entity that the request relates to, and if there is still no such entity the names of the entities in whose behalf the request is being made or the name of the person in whose behalf the request is being made.
2. A full and detailed description of the background, the facts and the information that is relevant to obtaining a decision on the issue being raised.
3. A description and analysis of the accounting or legal sources (including professional opinions) that relate to the issue and which the entity has examined and is basing himself on, including the name of the expert who wrote the opinion on which the entity is basing himself.
4. A description of the uncertainty related to the issue and the various possibilities for its resolution.
5. A description of the entity’s proposed solution to the issue and the arguments supporting the proposal.
6. A declaration of the entity that it is his intention to implement the instructions of the ISA as contained in its response to the request.
7. A declaration by the entity that it is aware that the request and the response of the ISA to it will be published in their entirety on the ISA’s website.

The request **can include** the following details:

1. Request by the entity that the request and the response to it will be published without including the names of those connected to the matter being discussed in the request.
2. A request by the entity to delay the publication of the request and the response to it.
3. A request by the entity not to publish the request and the response to it.

Such requests will include a description of the circumstances that justify not publishing or a delay in publishing and the arguments that justify such a decision.

**How the ISA handles a ruling request**

The procedure for handling requests for pre-rulings includes the following steps:
1. A professional review of the issues noted in the request and the proposed solutions.

2. Where a request concerns a complex or precedent issue, a decision is made on whether the issue deserves a broad discussion by the ISA.

3. The ISA staff decides on the issue in question and conveys a written response that includes the staff’s decision. The ISA staff will follow the procedure to ensure that its decision is made and conveyed to the applicant within 60 days of the latest than the two following dates: the date of the request, if it complies with all the requirements of this procedure, or the date on which the ISA staff receives all the information it requires to address the request. If the request for a ruling involves a request for no action, an issue that has significant broad implications, a highly complex issue, or an issue that requires the involvement of another ISA department, — the reply may be issued after the elapse of the aforesaid 60 day period.

4. A decision on the applicant’s request for an exception regarding publication of the request and its response on the ISA website, including the parties related to the request.

**Publishing of the ruling request**

A request for a ruling and the response to it will be published on the ISA’s website in their entirety, including the names of those making the request and the corporations to which the request relates.

The ISA will consider not publishing the request in full or partially publishing it and/or a delay in publishing the ruling request and the response to it in the following cases:

a. The ruling request relates to the private/personal matter of an individual, as opposed to a business or commercial matter.

b. When the publishing of the names of those connected to the matter or their circumstances will cause material harm to the good name of the individual (including a corporation) and when the publishing of the matter or the names is not essential to the purpose of publishing the matter, according to the decision of the ISA with regard to publicizing ruling requests.

c. A ruling request that discloses a commercial secret or business information whose exposure is likely to harm the entity, in the spirit of Paragraph 19 of the Securities Law.

d. A ruling request that relates to negotiations that have not yet progressed to the stage of a transaction.

e. In the following circumstances:
   - The ruling request involves special circumstances or the response is not an intellectual precedent that affects a large number of supervised entities; and
   - A similar request on the same matter has not been submitted to the ISA.

In addition, in the case that the subject of the request is an action planned by a corporation that has not yet been carried out, the entity can notify the ISA, during the period in which the publication is being delayed (if such as delay was requested), that the corporation is no
longer intending to carry out this action and that it asks that the request and the response to it not be published.

In this situation, the staff of the ISA will decide whether to accede to the request of the entity and also whether there is a need for publishing the ISA's position on this issue, as provided to the corporation, in the form of a legal or accounting staff position in the SLB or SAB format, which will be published on the ISA's website and will describe the ISA's position on the issue.

The timing for submitting a ruling request is important. Submitting the request a reasonable time before the date planned for the particular action which is the subject of the request will provide enough time for an in-depth, balanced and appropriate examination of the request and the provision of the ISA's answer to the entity making the request according to a schedule that will allow it to act according to the answer.