



The Securities Law, 1968

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THE SECURITIES LAW, 5728-1968,¹

¹ 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)



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Chapter 1: Interpretation

Definitions

[Amended: 5748, 5751, 5754(3), 5759, 5760, 5760(2), 5760(3), 5763, 5764(2), 5765]

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 to bearer, excluding securities issued by the Government 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 is 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;

“Affiliate” - a company in which another company - which is not a holding 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;

“Associate” - an affiliate, and also a company in which another company - which is not a holding company thereof - has invested an amount equal to twenty-five percent or more of the equity of the other company, whether in shares or otherwise, excluding a loan given in the normal course of business;

“Registration Company” - a company whose sole occupation is holding securities for others², and also any other corporation determined by the Minister of Finance 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

² 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 (Collection of Regulations 2004, p. 1016 & Collection of Regulations 2005 p. 444)



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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**” - who issues or issued the securities offered to the public;

“**Offeror**” - someone who offers 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 aforesaid, also the following:

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

“**Supplemental notice**” – notice within the meaning thereof under section 16(a1)(2);

“**Offer by way of rights**” – an offer by the issuer to the holders of his securities or to the owners of his class securities to purchase additional securities issued by him;

“**Underwriting undertaking**” - an undertaking 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 made an underwriting undertaking;

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

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

“**Distributor**” – whoever did not provide the underwriting undertaking according to the prospectus, but undertook to sell the offered securities, all or in part, for a distribution commission;

“**Acquisition of Securities**” - including an acquisition by way of issue when the securities are first issued;

“**Holding**” and “**acquisition**” - with regard to securities or voting power etc. - either alone or together with others, whether directly or indirectly, through a trustee, trust company, registration company or in any other way; with regard to a holding or acquisition by a company - this also means by its subsidiary or its associate; and with regard to a holding or acquisition by an individual — an individual and his family members who live with him or are financially dependent on one another, shall be regarded as one person;

“**Holding or acquisition of securities together with others**” - a holding acquisition of securities in collaboration between two or more under an agreement, whether written or oral; without prejudice to the generality of the aforesaid, the following shall be deemed, prima facie, to be joint holders or purchasers of securities:



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- (1) A corporation that holds or acquires 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 client or with his family member who does not live with him or who is not financially independent of him, for whom he 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 brother, 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 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” - capital, reserves and surpluses, according to accepted accounting principles, and accepted reporting standards;

“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 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 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, “trustee” - excluding a registration company and excluding someone who holds securities merely by virtue of his office as trustee for a settlement under section 46(a)(2)(f) or as a trustee for an issue of shares to employees, as defined in section 102 of the Income Tax Ordinance;
- (2) A subsidiary of a corporation, excluding a registration company;



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“**Financial statements**” - a balance-sheet, earnings report and other reports determined in regulations;

“**Misleading item**” - including something that is likely to mislead a reasonable investor, and anything or an omission whose absence is likely to mislead a reasonable investor;

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

“**Stock exchange**” - a stock exchange that received a license under section 45;

“**Foreign stock exchange**” - a stock exchange, a regulated market as defined in the Joint Investment Trust Law, 5754-1994, or a trading list on any one of them, which are not in Israel, and which are listed in the second or third schedule;

“**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 in Trust Law**” - Joint Investment in Trust Law, 1994;

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

“**Certifying authority**”, “**Authorized Electronic Signature**”, “**Electronic Message**” - within the meaning thereof under the Electronic Signature Law;

“**Electronic reporting**” - filing a document with the Israel Securities Authority by electronic mail, signed with a certified electronic signature, capable of being preserved electronically and of being produced as output;

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

“**The Electronic Signature Law**”³ - Electronic Signature Law, 2001.

Chapter 2: The Israel Securities Authority

2. Establishment of the Israel Securities Authority

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

(Amended: 5733, 5738(2), 5741, 5748 – 1973, 1978, 1981, 1988)

(a) The ISA will be composed of members appointed by the Minister of

³ This Law goes into effect on 2.11.2003



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Finance whose number shall not exceed thirteen; some of the members shall be appointed from among the public, and some from among civil servants, and one of them shall be an employee of the Bank Israel.

- (b) The Minister of Finance shall appoint one of the members of the ISA as chairman of the Israel Securities Authority and one of them as deputy chairman.
- (c) A person shall not be appointed a member of the ISA if one of the following applies:
 - (1) He is a member of a stock exchange;
 - (2) He engages in trading in securities, whether for himself or for others;
 - (3) He is employed by a person as stated in sections (1) or (2);
 - (4) He is neither a civil servant nor an employee of the Bank of Israel, and in the opinion of the Minister of Finance his other activities are likely to create a conflict of interests with his position as a member of the ISA; For the purpose of this provision, the Bank of Israel shall not be deemed someone that engages in trading in securities.
- (d) Notice of an appointment of a member of the ISA, a chairman and a deputy-chairman shall be published in Reshumot.

4. Term of office of members

(Amended: 5748 - 1988)

- (a) The term of office of a member of the ISA shall be three years from the date of his appointment, but of the first appointees two shall hold office for two years and two for one year.
- (b) The term of office of a chairman of the ISA shall be five years from the date on which he was first appointed chairman, and when this term of office ends he may be reappointed for additional terms of office of three years each.
- (c) A member of the ISA whose term of office has ended may be reappointed.
- (d) The Minister of Finance may rescind the appointment of a member of the ISA who was absent, in the opinion of the Minister without reasonable cause, from four consecutive meetings of the ISA or from six meetings during one fiscal year, after the member of the ISA is given a fair opportunity to make his arguments; the provisions of subsection (c) shall not apply to a member whose appointment was rescinded as stated.

5. Prohibition of purchase of securities

(Amended: 5741, 5748, 5764 – 1981, 1988, 2004)

- (a) A member of the ISA shall only make a transaction in securities with a permit from the Minister of Finance; such a permit may be general or for certain types of securities.



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- (b) A member of the ISA shall give notice to the ISA and the Minister of Finance, within seven days of his appointment, of the securities held by him.
- (c) The provisions of subsections (a) and (b) shall apply 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 in their regard only to the Minister of Finance.

6. Expiry of membership and appointment of a replacement

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

6A. Remuneration

(Amended: 5757 - 1997)

- (a) A member of the ISA shall not receive payment from the ISA for his 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 because the office of a member became vacant or because of a defect in his appointment or his continued holding of office.

8. The ISA — a corporation

[Amended: 5738(2) - 1978]

- (a) The ISA shall be a corporation, competent for every obligation, right and



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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], 5718-1958.

9A. Management of the ISA [amended: 5748 – 1988]

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

9B. Publication of decisions
(Amended: 5748 - 1988)

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

10. Employees of the ISA

- (a) The ISA may employ employees with a complement approved by the Minister of Finance; the engagement, appointment, terms of employment, remuneration and benefits of employees of the ISA shall be like those of civil servants.
- (b) The provisions of sections 3(c) and 5 shall apply, mutatis mutandis, also to employees of the ISA carrying out professional or administrative functions therein.

10A. Restrictions after leaving
(Amended: 5757 - 1997)

- (a) an employee of the ISA who dealt with any matter in the course of carrying out his functions at the ISA shall not represent a person in that matter before the ISA after leaving his employment at the ISA.
- (b) An employee of the ISA who has left shall not represent any person before any employee of the ISA who was his subordinate before he left, and shall not ask him to grant him any right, either for himself or for his business, whether by agreement or by an act of the ISA, when the granting thereof is subject to the discretion of that employee, all of which until one year has passed from the date on which the subordinate relationship ended.
- (c) An employee of the ISA who left shall not receive, for three months from the date on which he left, a right or benefit from a person who was in



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contact with the ISA during the year preceding the date on which the employee left, unless he receives permission for this from the chairman of the ISA; the Chairman shall report to the members of the ISA the granting of a permit as stated.

- (d) An employee who has left the ISA shall not be a principal shareholder in a member of a stock exchange by virtue of his holdings, until the lapse of one year from the date of leaving the ISA, and shall not be an employee of a member of a stock exchange until the lapse of three months, unless having obtained the approval of a special approval committee by virtue of The Government Employment Law (Restrictions After Retirement) - 1969, and sections 12 and 13 of the said Law shall be applicable.
- (e) An employee who has left the ISA shall not engage in trading of securities, whether for himself or for others, until the lapse of three months from the date of leaving the ISA, save by special permission by the Chairman of the ISA; The Chairman shall report to the members of the ISA in regard to a special permission granted, as aforesaid.

10B. Special restrictions

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) Issue rules in respect of special restrictions that will apply to employees empowered by virtue of sections 56A and 56C after severing their employment with the ISA; such rules shall take into consideration the character of such powers and matters subject to their role of employment.
- (2) Empower someone to allow an employee as stated in section (1) to depart from the special restrictions.

10C. Grant of permission

- (a) A person allowed to grant permission by virtue of sections 10A or 10B, be doing so subject to terms.
- (b) Permission by virtue of sections 10A or 10B shall not be granted unless the person granting the same is convinced that the principles of integrity and morality are upheld.

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 the Finance Committee of the Knesset. Procedure and rules for applications [amended: 5738(2), 5748, 5754, 5760, 5760(2) – 1978, 1988, 1994, 2000, 2000(2)]



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12. (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 members of the ISA, including the Chairman or Deputy Chairman, shall constitute a quorum at its meetings.
- (c) The decisions of the ISA shall be passed by a majority of votes; abstentions shall not be counted as votes.
- (d) Rules pertaining to applications for the publication of 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 separate rules for the publication of prospectuses:
- (1) Within the framework of a privatization decision as defined in the Government Corporation Law - 1975, if the ministerial committee for privatization has determined that under the circumstances, the implementation of separate rules is important for purposes of accelerating the privatization;
 - (2) For purposes of selling bank shares which are the subject to the Bank Share Arrangement Law - 1993;
 - (3) Offered by issuers that are companies maintaining equity of an amount to be determined by the ISA with the approval of the Minister of Finance⁴; notice of the said amount shall be delivered to the Finance Committee of the Knesset and shall be published in Reshumot;
 - (4) Offered by issuers which are companies obligated to consolidate their financial reports with a number of other companies, or prepare financial reports in which are included investments in a number of other companies according to the equity method, if in the opinion of the ISA implementation of separate rules in regard to a conglomerate of companies as aforesaid is justified under the circumstances.
 - (5) For commercial papers.
- (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

[Amended: 5738(2) – 1978(2)]

- (a) The ISA may delegate its powers to a committee consisting of at least three members.
- (b) A majority of the members of a committee shall constitute a quorum. Confidentiality (amended: 5748)

⁴ the equity has been stipulated at 75 million NIS that will be adjusted on the 16 of every month in accordance with the index, published by the Central Bureau of Statistics, relative to the index published in March 1994, (Collection of Notifications 4206, p. 2886, 10.4.1994)



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- 13.** Proceedings and deliberations of the ISA or material submitted to it or to its members, by virtue of their membership, shall 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 demand of the Attorney-General for purposes of a criminal trial or upon demand of the court.

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 Finance Committee of the Knesset.

14A. Appeal on decisions of the Israel Securities Authority (ISA)
(Amended: 5748 - 1988)

Someone who considers himself injured by a decision of the ISA may appeal it to the District Court.

Chapter 3:
Prospectus and Permit for Publication

15. Offer and sale to the public

[Amended: 2000(2), 2004]

- (a) A person shall not 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) A person shall not offer securities to the public other than according to a prospectus, the publication of which has been authorized by the ISA.

15A. Acts not deemed offers to the public.

[Amended 2000, 2004]

- (a) The following shall not be regarded as 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 shall sell the offered securities, combined with the number of investors to whom he sold securities during the twelve months preceding the said offer, shall not exceed the number prescribed; for this purpose, investors who purchased shares and securities that may be convertible into or realized for shares, and investors who purchased other securities, shall be counted separately;
- (2) The allocation of bonus shares affording no choice to those entitled to receive them; for this purpose, “bonus shares” – shares allocated



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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 be later than the date of the notice of the decision to allocate the bonus shares;

- (3) An allocation or transfer of securities to all or any of the security holders of the corporation by virtue of any judgment or court decree granted in a class action as defined in the Companies Law, 1999 (in this Law – The Companies Law), or any allocation or transfer by virtue of a decision in a proceeding under sections 350 or 351 of the Companies Law, provided that the ISA was given opportunity to appear in the proceeding and state its view in regard to the necessity of publishing a prospectus in order to secure the interests of the public to whom the offer is intended;
- (4) An announcement of intent to sell securities:
 - (a) To a number of offerees not exceeding the number prescribed in regulations under section (1), and whom shall be selected in a procedure determined by the person issuing the announcement;
 - (b) To investors as stated in section (7);
- (5) Negotiations between an offeror and a person considering assuming an underwriting obligation, providing the aforesaid person is qualified according to provisions stipulated under section 56(c);
- (6) Provision of explanations at the meeting of corporation's employees or at the meeting of employees of a corporation controlled by the aforesaid corporation or controlling the aforesaid corporation - regarding the offer of securities to the employees as aforesaid, as long as no information is provided regarding the reporting corporation if that information is not yet published in a prospectus or in the immediate report according to provisions under Chapter Six; minutes shall be taken at the aforesaid meeting and made available to the employees;
- (7) An offer or the sale to investors specified in subsection (b).
 - (b) For purposes of subsection (a), the following shall not be considered as investors:
 - (1) A corporation of the type listed in the appendix; the Minister of Finance may, after consultation with the ISA and with the approval of the Finance Committee of the Knesset, add or detract from the appendix;
 - (2) A corporation incorporated outside Israel and which, in the opinion of the ISA, is capable of obtaining the information required in order to make a decision to invest in the securities, and which



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would have appeared in a prospectus, had a prospectus been published;

- (3) A controlling shareholder, a general manager or a director of the corporation the securities of which are being offered, or of a corporation under control of the aforesaid corporation.

15B. Restrictions on application

[Amended 2000, 2004]

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 the employees of a corporation controlled by it, within the framework of the employee benefit plan, by way of description containing particulars of the offer and of the offered securities, as shall be provided under the regulations, as well as the reference to the last periodic report, to interim financial reports and to the subsequently submitted immediate reports, and according to provisions under Chapter Six; regulations applicable to the aforesaid document shall be the same as the ones applicable to reports according to section 36; regulations under this section shall also contain provisions regarding the details, form and structure according to which the aforesaid document shall be presented to the employees.
- (b) The offer of securities by the State, including convertible and realizable securities of a reporting corporation issued by the State, to the employees of the aforesaid corporation including the employees of a corporation under control of the aforesaid corporation, in the course of privatization by way of the document stipulated under sub-section (a) and not by way of prospectus.
- (2) (a) The offer of securities issued by a non-reporting corporation, along with the corporation's securities 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 the employee benefit plan, providing the consideration received for the offer and the percentage of the corporation's issued capital allocated to the employees by means of the aforesaid offer, along with the allocation received during the preceding year do not exceed the consideration and percentage stipulated under the company's regulations; the corporation shall deliver a copy of the plan to each employee entitled to the offered securities;
- (b) The offer of securities by the State, including convertible and realizable securities of a non-reporting corporation issued by the State, to the employees of the aforesaid corporation including the employees of a corporation under control of the aforesaid corporation, in the course of privatization by way of the document stipulated under sub-section (a) and not by way of prospectus.



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- (3) An offer made during the course of trading on the stock exchange whereon the securities are traded;
- (4) An offer of securities issued by a non-reporting corporation to a number of investors, even if it exceeds the number stipulated under company's regulations according to section 18A (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 allocation do not exceed the maximum consideration and percentage for a single offering, stipulated by the regulations, and providing the two of the following transpire:
 - (a) The proportion of corporation's capital allocation under the aforesaid offer, jointly with capital allocation of the aforesaid corporation allocated in prior offers made not according to a prospectus, shall not exceed the predetermined share of the capital stipulated under the corporation's regulations;
 - (b) The number of investors in the aforesaid offer, jointly with the number of investors, to whom the corporation had previously sold securities not according to a prospect, does not exceed the amount stipulated under the corporation's regulations;
- (5) Listing of securities for trade on a stock exchange as a result of:
 - (a) A public offer 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 offer of securities listed for trade on the stock exchange, to the public outside Israel, including the listing of the aforesaid securities for trade outside Israel;
 - (d) Realization or conversion of securities into other securities that were offered in accordance with sub-sections (a) or (b);
 - (e) Allocation of securities which come under the provisions of section (1) of this section, or under the provisions of sections (2)(a) 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 Article 8A of the Companies Law – 1975, or a decision of the Government according to section 8(b) of the aforesaid Law, or an offer as aforesaid in the course of a sale according to Chapter 7 of the Bank Shares Understanding (Temporary Provisions)– 1993.

“Offer” - including sale

15C. Restrictions on resale of securities

- (a) Notwithstanding the provisions of section 15B (3), the following shall be regarded as offerings to the public:



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- (1) An offer of listed securities in the course of trading on the stock exchange, and which were allocated to the offeror by an issuer in an offer under section 15A(a)(1), (4) or (7), - or in an offer made abroad not by virtue of a prospectus if the period prescribed in the regulations from the date of the allocation 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 amount of offered securities exceeds the amount prescribed under these regulations;
 - (b) The amount of issued and realized securities which are being offered by the corporation, exceed the proportion prescribed under these regulations;
- the aforesaid in this section shall also apply to securities acquired during the aforesaid additional periods or period, not by virtue of a prospectus or not during the course of trading, from the issuer or a corporation under control of the issuer, or to securities resulting from realization or conversion of securities allocated as aforesaid in this section;
- (2) An offer of listed securities in the course of trading on the stock exchange, which were allocated to a corporation under control of the corporation the securities of which are being offered not by virtue of a prospectus, if a period from the date of allocation to the said corporation, as prescribed in the regulations, has not elapsed;
- (b) The aforesaid in subsection (a) shall not apply in regard to an offer made during the course of trade by the State or by a person who has acquired 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 abroad

[Amended 2000, 2004]

The ISA may exempt from any or all of the provisions of this Law a corporation whose securities are listed for trade abroad and which is not a reporting corporation, which offers its securities to its employees or 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 it may subject the exemption to such terms as the ISA shall prescribe for purposes of securing that all required details, according to section 15B(1), will be at the disposal of the employees, including a Hebrew translation of all the documents of the offering which will be given to the employees.

15E. Special provisions

[Amended 2000]

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,



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structure or form of a prospectus for a particular type of offering, offerors, corporations or securities; these rules shall be published in Reshumot.

15F. Regulations

[Amended 2000]

The Minister of Finance, with the approval of the Finance Committee of the Knesset, shall make regulations in accordance with sections 15A through 15C; regulations under this section shall be made in accordance with the proposal thereof, or after consultation with, the ISA.



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16. Prospectus

[Amended 1998, 2004]

- (a) A prospectus shall contain every detail of importance to a reasonable investor considering the acquisition of securities offered therein, and every detail determined by the Minister of Finance in regulations by virtue of section 17.
- (1A)(1) An offer of securities made other than by way of rights -
 - (a) Might not contain, in the prospectus, details pertaining to the underwriter and the distributor, as provided under section 17D(a)(2) of the regulations and every detail according to them;
 - (b) May be changed, following the publication of the prospectus and prior to the period for placing orders, regarding the terms under which the securities are offered including price and amount, versus those stated in the prospectus, as well as any other detail included in the prospectus that might change due to the aforesaid amendments, as stipulated in the regulations under section 17D (a)(2), providing the change does not extend beyond the provisions of the Minister of Finance under section 17D(a)(3)
- (2) Details not included in the prospectus or amended according to the aforesaid under section (1), shall be included in a supplemental notice published by the offeror on the date and by means stipulated by the Minister under section 17D (a)(2) and shall be considered as an integral part of the prospectus, from the date of their publication;
- (b) A prospectus shall not contain any misleading details.

17. Regulations concerning items in a prospectus

(Amended: 1988, 1991, 2004)

- (a) The Minister of Finance shall upon the proposal of the ISA, or after consultations therewith, and with the approval of the Finance Committee of the Knesset, enact regulations with regard to the items to be included in a prospectus and with regard to the structure and form of the prospectus.
- (b) Regulations under this section may relate, inter alia, to the following matters:
 - (1) Financial statements of the issuer, its subsidiaries and associates, the amount of detail therein and accounting principles for preparing them;
 - (2) Subjects and items to which an accountant shall relate in his opinion on the financial statements stated 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 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 has been obtained;



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- (5) Particulars of a principal shareholder in the issuer and a description of his affiliation with the issuer.
- (6) The price of offered securities; for this purpose "the price" – including price range.
- (c) A principal shareholder is liable to deliver to the issuer the particulars required by the issuer in order to fulfill his obligations under regulations enacted under sub-section (b)(5).
- (d) The Minister of Finance is authorized to enact regulations under this section either in general or for classes of securities, of issuers, of offeror or of offers to the public, or according to any other classification.

17A. Sale at a uniform price

(Amended: 2004)

- (a) The sale of securities, registered or about to be registered for trade on the stock exchange, according to a prospectus (in this section – "offered securities"), shall be carried out according to a uniform price; for this purpose, "price" – including terms of payment or any discount or benefit extended to a purchaser with the exception of a reasonable and accepted distribution commission paid to the distributor, however the Minister of Finance is authorized to stipulate, according to the recommendations made by the ISA or following a consultation therewith and with the approval of the Financial Committee of the Knesset, types of offers or purchasers and the terms under which the offered securities might be sold at a different price.
- (b) if offered securities were sold at a price different from the one provided according to the regulations under sub-section (a), the offeror, being an underwriter of a distributor that sold the aforesaid securities at a price lower than the price stipulated in the supplemental notice or in the prospectus, if no supplemental notice was published, shall be responsible according to his relative part, toward anyone purchasing the aforesaid securities as part of the sale under a prospectus, for the payment 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 under the prospectus.
- (c) The Minister of Finance is authorized to stipulate, according to the recommendations made by the ISA or following a consultation therewith and with the approval of the Financial Committee of the Knesset, the rate of criteria for a reasonable and accepted distribution commission, within the meaning thereof under sub-section (a).

17B. Annulment of prior commitment

(Amended: 2004)

A prior commitment, which is not an underwriting commitment, for the purchase of securities prior to the commencement of the period for placing orders, is therefore



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annulled unless provided by the investor listed under section 15A(b)(1) or (2), under the terms stipulated by regulations according to section 17.

17C. Annulment of prior commitment

(Amended: 2004)

- (a) (1) the offer and sale of securities, registered or about to be registered for trade on the Stock exchange, according to a prospectus shall be done under the terms equal to all (in this Law – a uniform offer); however the Minister of Finance is authorized to stipulate terms and conditions under which the regulations of this sub-section, all or in part, including various types of offers, shall not apply to securities or purchasers or to securities whose amount of issuance is higher than the amount stipulated by the Minister of Finance, providing the price of the offered securities is uniform within the meaning thereof under section 17A.
(2) a uniform offer shall be made without the maximal price being stipulated for the offered securities; however the Minister of Finance is authorized to provide under the regulations that the prohibition regarding the maximal price of securities shall apply or that it shall apply under terms that shall be stipulated.
- (b) Further to the aforementioned under sub-section (a), the Minister of Finance is authorized to provide terms and restrictions pertaining to the offer of securities, registered or about to be registered for trade on the Stock exchange, made according to a prospectus as well as to the sale thereof.
- (c) Regulations according to this section may be amended following the recommendations made by the ISA or following a consultation therewith and with the approval of the Financial Committee of the Knesset.

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

(Amended: 2004)

- (a) The Minister of Finance shall stipulate the following, in accordance with the recommendations made by the ISA or following a consultation therewith and with the approval of the Financial Committee of the Knesset:
 - (1) Way of marking, numeration and distribution of both draft prospectuses and prospectuses;
 - (2) Details to be included in a supplemental notice, and the ways and means of publication;
 - (3) Permissible scope of changes pertaining to the terms of securities under section 16(a1)(1)(b)



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(b) In regulations issued according to sub-section (a), the Minister of Finance is authorized to stipulate different regularization for different offers.

17E. Pricing underwriter

(Amended: 2004)

An offer guaranteed by a prior commitment of an underwriter has to have at least one pricing underwriter.

17E Bona Fide obligation

(Amended: 2004)

An underwriter shall act bona fide and abstain from abusing his powers, during the period he acts as an underwriter.

18. Draft prospectus

(Amended: 1988, 1994)

- (a) A draft prospectus shall include all the items that are to be included under Sections 16 and 17, but it is permitted not to include in the draft the price of the securities offered.
- (b) An offeror who wishes to receive an exemption from including an item in a prospectus under section 19 shall file an application with the ISA to receive the exemption and shall state therein the aforesaid item; the application shall be filed with the ISA together with the draft prospectus, and there is no duty to include that item in the draft prospectus.
- (c) The offeror is liable to deliver to the ISA in writing, upon demand, any explanation, details, information and documents concerning the items contained in the draft prospectus and any other matter on which the ISA demands a clarification.

19. Exemption from disclosure

(Amended: 1988)

- (a) The ISA may exempt the offeror from disclosing any item in the prospectus if:
 - (1) In its opinion, the maintaining of a trade secret justifies the nondisclosure of the item, and provided that the said item, had it been included in the prospectus, would have deterred a reasonable investor from purchasing the offered securities;
 - (2) The said disclosure is apt to infringe the security or economy of the State or any investigation being conducted by the Israel Police Force 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, as the case may be, has attested in writing that the disclosure shall constitute an infringement as aforesaid.



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- (b) If the ISA is of the opinion that disclosure of an item as aforesaid in subsection (a)(2) is of importance, from the point of view of a reasonable investor contemplating the purchase of the offered securities, the publication of the prospectus shall not be permitted.
- (c) In the event that an exemption from disclosure has been granted by virtue of subsection (a), the prospectus shall state that an exemption from disclosure has been granted.

20. Demands by the ISA concerning items of prospectuses

(Amended: 1988, 1990)

- (a) The ISA may require the offeror to include the following matters in the prospectus if it is of the opinion, in the circumstances of the case, that they are important to a reasonable investor contemplating the purchase of the offered securities:
 - (1) An additional particular in regard to the items presented in the draft prospectus or an additional particular in regard to an item required in Regulations under section 17;
 - (2) Any item required by regulations under section 17 in regard to an issuer, its subsidiary or associate;
 - (3) An attorney's opinion regarding a specific particular in addition to the items required under section 17(b)(3);
 - (4) An opinion by an expert regarding re-evaluation or any other matter contained in the draft prospectus or the financial reports included therein.
 - (5) Reports and opinions in addition to those contained in the draft prospectus.
 - (6) After having granted the offeror an opportunity to be heard - financial reports, an opinion or review of the accountant who audited or reviewed the same or of another accountant in lieu of the same in the draft prospectus, if, in its opinion, they are not in conformity with the generally accepted accounting principles and 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 prospectus be given special prominence in such form as it may direct.

20A. Examination procedures

(Amended: 1994)

- (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 according to the class of securities, class of issuers, and class of offerors or offers to the public or according to any other classification.



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- (b) Notice of the examination procedures as aforesaid in subsection (a) as approved by the Minister of Finance shall be conveyed to the Finance Committee of the Knesset, and shall be published in Reshumot within 14 days of the said notice, provided that a request for cancellation 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 30 days following the said request, if the procedure is not canceled as aforesaid.

21. Permit for the publication of a prospectus

(Amended: 1988, 1994)

- (a) The ISA shall grant a permit for the publication of a prospectus if it is satisfied that the draft prospectus has complied with the provisions of this Law and with the demands of the ISA hereunder, and that all other permits as required by law have been obtained; the ISA may satisfy itself as aforesaid by virtue of execution of examination procedures as it shall deem proper 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 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) Shall not extend credit to an individual recipient of credit in an amount exceeding a percentage of the issue as determined by the Minister of Finance in an order, after consultation with the ISA;
- (2) Shall include in the prospectus, if the ISA so demands, financial statements of recipients of the credit or other information, which, in its opinion, is required by a reasonable investor.

22. Approval and signature of the prospectus

(Amended: 1988)

- (a) A draft prospectus upon first being presented to the ISA and the final text of the prospectus to be published shall be approved by the directorate of the issuer.
- (b) The prospectus shall be signed by the issuer and a majority of the members of the directorate, 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 fact that he is a director; A director shall sign personally or by a person so designated by him in writing to sign the prospectus on his behalf; in this section, a “public director” - as defined in article 2 of Chapter 4 of the Companies Ordinance [New Version], 1983.



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- (c) If the prospectus contains the name of a person who has undertaken to purchase the offered securities, wholly or in part, in so far as they are not purchased by the public, the said person shall likewise sign the prospectus.
 - (d) Where the aforesaid securities are offered otherwise than by the issuer, the offeror shall likewise sign the prospectus.
 - (d1) The supplemental notice shall be signed by the issuer; where the aforesaid securities are offered otherwise than by the issuer, the offeror shall likewise sign the supplemental notice;
 - (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

(Amended: 1988, 2002)

- (a) The prospectus shall bear a date (hereafter - the date of the prospectus or the date of publication) which shall be no later than seven days after the permit is given for its publication, unless the ISA extends this permit.
- (b) The publishing date of a supplemental notice shall be regarded as the publishing date of a prospectus.
- (c) No later than the first business day after the date of the prospectus, the offeror must:
 - (1) In an offer 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 of companies, and if the prospectus contains an offer of securities for which a trust deed has been signed — the trust deed shall also be submitted;
 - (2) Publish in at least two widely-distributed daily newspapers, published in Israel in Hebrew, notice of the submission of the documents stated in section (1) and the places where copies of the prospectus may be obtained and orders placed for the securities offered; the ISA may require additional items to be included in the notice, in a manner that it shall stipulate.
- (d) *Repealed*



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23A. Shelf prospectus
(Amended: 2005)

- (a) A person may offer securities in accordance with a prospectus, on several occasions, at various times (in this law - shelf prospectus), in accordance with the provisions of this section:
 - (b) An offer to the public of securities in accordance with a shelf prospectus shall be made within 24 months of its date of publication.
 - (c) Notwithstanding the provisions of sub-section (b), an offer to the public of commercial papers in accordance with a shelf prospectus that includes, in accordance with regulations under sections 16 and 17, only the details that should be included in a prospectus for an offer of commercial papers of a reporting corporation, shall be made within 12 months of the date of publication of the shelf prospectus.
 - (d) The Minister of Finance, in accordance with a proposal of the ISA and after consultation therewith, and with the approval of the Finance Committee of the Knesset, may determine terms for an offer of securities in accordance with a shelf prospectus, including the following terms:
 - (1) The investment rating given to the securities that are offered, in accordance with the rating made by a company engaging therein which was determined by the Minister of Finance, is as determined;
 - (2) The corporation has been a reporting corporation throughout a period determined by the Minister of Finance as aforesaid, and it has complied with the reporting duties under this law.
 - (e) If the ISA discovers, after giving the permit to publish a shelf prospectus, that one of the terms under sub-section (d) was not fulfilled at the time of giving the permit as aforesaid, or that it subsequently ceased to be fulfilled, it may, after giving the offeror an opportunity to state its case before it, 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 hereunder conditional upon such terms as it shall stipulate.
 - (f) If the offeror wishes to offer securities in accordance with a shelf prospectus, he shall submit to the ISA a report concerning the offer (in this law — a shelf offer report); the provision of 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 submitting orders hereunder, were determined in the shelf prospectus on its date of publication.
 - (g) A shelf offer report shall have the status of a prospectus, and what is stated in the report shall be regarded, from the date of its publication, as an integral part of the shelf prospectus; but:



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- (1) Publication of a shelf offer report does not require a permit from the ISA under this law;
- (2) The Minister of Finance, in accordance with a proposal of the ISA and after consultation therewith, and with the approval of the Finance Committee of the Knesset, 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 it and publishing it.

Chapter 4:
Orders under the Prospectus

24. The period for placing orders

(Amended: 2004)

- (a) The period for placing orders for securities offered in a prospectus (hereafter - orders) shall be prescribed 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), accordingly.
- (b) The Minister of Finance, in accordance with a proposal of the ISA and after the consultation therewith, and with the approval of the Finance Committee of the Knesset, shall stipulate all of the following:
 - (1) The commencement date for placing orders, providing it is not later than the then the date stated in the prospectus:
 - (2) The closing date for placing orders, providing it is no later than 45 days from the starting date;

In the regulations, according to this sub-section, the Minister of Finance is authorized to stipulate different dates for different classes of securities, means of offer and prospectuses.

- (c) The ISA is authorized to precede the commencement date for placing orders stipulated in the regulations under sub-section (b), regarding placing of orders, providing it comes after the publication date of the prospectus; furthermore the ISA is authorized to postpone the aforesaid closing date, providing it does not extend beyond 6 months from the commencement date; the ISA is authorized to precede or postpone dates according to this sub-section under the circumstances it finds appropriate.
- (d) The offeror shall not accept orders before the commencement of the period for placing them nor after the closing of thereof.



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

25. Amendment of prospectus in special cases

[Amended: 1988, 2004(2)]

- (a) If the ISA becomes aware, after giving the permit for publication of the prospectus and before the end of the period for submitting orders, that something has been discovered or occurred, the knowledge whereof would have induced it 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, it may order the offeror, after giving him a suitable opportunity to make his case, to publish immediately or no later than the date which it prescribes, an amendment to the prospectus or an amended prospectus, in the form and manner that it shall direct.
- (b) If an amendment to the prospectus or an amended prospectus is published in accordance with the directive of the ISA under subsection (a), the dates prescribed in this Law or pursuant thereto shall be deferred, and for this purpose the date of publishing the amendment to the prospectus or the amended prospectus shall be regarded as the date of publishing the prospectus, unless the ISA determined otherwise.
- (c) *Repealed.*
- (d) The offeror is liable to 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 under subsection (a), and likewise any person who has given an opinion, report or certificate included or mentioned in the prospectus with his prior consent is liable to give notice in writing; if the offer was not made by the issuer, this duty shall apply also to the issuer.

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

- (a) If, after the permit for the publication of a prospectus and before the termination of the period for the placing of orders, the offeror is desirous of changing any detail in the prospectus, he shall submit an application to the ISA, and if he has applied to have the securities registered for trade on the stock exchange - a copy of the said application shall be submitted to the stock exchange; if the ISA has approved 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 shall 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 prospectus.



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- (b) If, after the granting of the permit for the publication of the prospectus and before the termination of the period for the placing of orders, there were submitted to the ISA financial reports of the offeror, the issuer or of any other corporation the financial reports of which were included in the prospectus, 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 it 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 an amended prospectus under subsection (b), the provisions of sections 25(b) and (c) shall apply mutatis mutandis.

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

- (a) An amendment to a prospectus and an amended prospectus shall be regarded as a prospectus for all intents and purposes of this law, and all the provisions of this Law shall apply in respect thereof.
- (b) If publication of an amendment to a prospectus or an amended prospectus has occurred at a time upon which the offeror was obligated to include in the same updated financial reports, 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 so directed, and to publish the reasons for allowing the exemption in the same manner and place of publication as the amendment to the prospectus or the amended prospectus.

25C. Correction of clerical error in prospectus

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), publish the correction in the manner prescribed for the notice under section 23(c)(2) and attach a copy thereof to each prospectus.

26. Cancellation of orders [Amended: 1988, 2004(2)]

- (a) A person who placed an order prior to the publication of an amendment to a prospectus, or of an amended prospectus may cancel his order until the end of the period for submitting orders determined in the amended prospectus or in the amendment to the prospectus.



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- (b) If someone cancels his order under subsection (a), the offeror is liable to refund to him, within seven days of the day on which he received notice of the cancellation, every amount that he paid on account of the securities.
- (c) If the ISA orders the publication of an amendment to the prospectus or an amended prospectus and the offeror does not publish it, the offeror shall be liable to refund to the persons who made orders, within seven days after the end of the period prescribed under sections 25(a) or 25A(b), as applicable, every amount that they 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

- (a) Where the prospectus prescribes a minimum amount which the offeror expects to obtain through the offer, and orders 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 persons who placed orders every 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) Distribute the allotment in the form and manner prescribed in the prospectus;
 - (2) Within seven days from the expiration of the period for the placing of orders, publish the allotment under subsection (1) in at least two widely distributed daily newspapers appearing in Israel in the Hebrew Language;
 - (3) Within two business days from the date of allotment refund to the persons whose orders, wholly or in part, have not been fulfilled, all amounts paid by them on account of securities not allotted as aforesaid.

28. Deposit of moneys received on account of orders

- (a) Moneys paid by the persons 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 principle and earn profits, until such time as the offeror has fulfilled his obligations under subsection (b) or it appears that he has no such obligation.
- (b) Where the offeror is obligated to refund moneys under sections 26 or 27, the principle shall be refunded together with all earnings accrued in the trust account under subsection (a) until the date of refund de facto.
- (c) Notwithstanding the provisions of sub-section (a), the Minister of Finance is authorized, with the approval of the Finance Committee of the Knesset, prescribe



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by regulations the manner in which the aforesaid moneys are to be invested and instances upon which earnings are not to be refunded.

29. Liability of directors

Where the offeror has not fulfilled his 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 moneys not refunded to them, with the exception of a director who took all appropriate means to ensure fulfillment of those obligations.

30. Notification of results of 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, in accordance with the details prescribed by regulations, notify the ISA of the results of the offer contained in the prospectus.



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**Chapter 5:
Liability for Prospectus**

31. Liability of signatories of prospectus

(Amended: 1988, 2004)

- (a) (1) whoever signed a prospectus under 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 the stock exchange or over the counter, for the damage caused to them on account of the prospectus containing a misleading item.
- (2) The liability under section (1) shall apply also to 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.
- (b) The prescription period for a claim 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

Any person who has provided an opinion, report, review or certificate included or mentioned in the prospectus with his prior consent, shall be liable as provided in section 31(a) for any injury caused by virtue of a misleading item contained in the opinion, report, review or certificate issued by him, including any opinion, report, review or certificate included in the prospectus by reference, and the period of limitations shall be as provided in section 31(b).

32A. Liability for damage as a result of prospective information

(Amended: 2004, 2005)

- (a) In this section, “*prospective information*” - a forecast, assessment, estimate or other information, which relate 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 aforesaid information, in accordance with the generality of the law and including accepted accounting principals that have to be included in financial reports.
- (b) The liability under sections 31 and 32 shall not apply to prospective information, merely because it did not occur, in whole or in part, or it occurred in a different manner that was foreseen, provided that all of the following are fulfilled:



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- (1) It was expressly stated alongside the information as aforesaid, in the prospectus, the opinion, the report, the review or the certificate, as applicable, that the information is prospective information;
 - (2) Details were given, alongside the information as aforesaid, in the prospectus, the opinion, the report, the review or the certificate, as applicable, the main facts and figures that served as a basis for the information;
 - (3) Clear emphasis was placed on the main factors that need to be considered as likely to result in the prospective information not being realized.
- (c) The provisions of subsection (b) shall not apply to someone who knew that the prospective information would not be realized; the provisions of this subsection shall not derogate from the provisions of section 33.
- (d) Nothing in the provisions of this section shall derogate from the liability 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 prospective information.

33. Negation of liability

[Amended: 1988, 1991, 2000, 20004, 2004(2)]

Liability under sections 31 or 32 shall not apply:

- (1) To someone who proves that he took all appropriate measures to ensure that the prospectus, opinion, report or certificate, accordingly, would not contain a misleading item, and he assumed bona fide that it did not contain such an item, and who complied with provisions under section 25(d);
- (1a) To an underwriter who authorized another underwriter to take all the appropriate measures also on his behalf in order to ensure that there not be a misleading item in the prospectus, if the following two are proved:
 - (1) The underwriter who gave the authorization believed bona fide that there was no misleading item in the prospectus;
 - (2) The underwriter who was given authority does not have liability under section (1);
- (2) To someone whom it is proved acquired the securities when he knew or should have known that the prospectus, opinion, report or certificate, as applicable, 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 it has published the fact of the amendment in the manner in which it published the notice concerning the prospectus under section 23(c)(2), all of which to someone who is proved to have acquired the securities after the aforesaid publication;



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- (4) To whoever delivered to the issuer a written notice with regard to a correction of the misleading item, all of which with regard to someone who is proved to have acquired the securities after 24 hours had passed from the delivery of the notice;
- (5) To whoever did not sign the prospectus and proves that he did not know, nor should he have known, of the publication of the prospectus.

34. Liability of several persons

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

34A. Prohibition of indemnification

[Amended: 2004(2)]

- (a) An underwriter shall not be indemnified on account of 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) It is permitted to indemnify an underwriter for a liability imposed on him or for expenses that he incurred as stated in the sections in section 260(a) of the Companies Law, 1999, mutatis mutandis, on account of their being a misleading item in a prospectus.
- (c) An indemnification as stated in subsection (b) may be made 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 before the event for an indemnification given by a corporation — in the amount that the Board of Directors or any body carrying out a similar function determined to be reasonable in the circumstances of the case.
- (d) An indemnification shall not be given unless it is proved that the underwriter believed bona fide that there is no misleading item in the prospectus, and in addition no indemnification shall be given for an action that was done intentionally or rashly.
- (e) An underwriter may indemnify another underwriter in the same proposal, and the provisions of subsections (a) to (d) shall not apply to an indemnification under this subsection.
- (f) In this section, “indemnification” — whether directly or indirectly, including prior consent with regard to the manner in which the liability under a judgment or a settlement will be divided, but excluding an indemnification on account of an insurance agreement.



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35. Cancellation of acquisition

- (a) Any person who has acquired securities from the offeror in accordance with a prospectus and, has done so in reliance on a misleading item therein, may cancel the acquisition and demand the refund of moneys paid by him, provided that he has done so within a reasonable time after having become aware of the fact that the item was deceptive or 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 acquisition.
- (b) The right of cancellation under subsection (a) shall apply also when the issuer is in liquidation.

**Chapter 5A:
Trust for Certificates of Indebtedness**

35A. Definitions

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

35B. Obligation to appoint a trustee

- (a) No person shall offer certificates of indebtedness to the public unless he has appointed a trustee for the holders of the said certificates; the trustee shall be appointed by 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 provisions of sections 3(c), 7, 9(a) and 10(d) of the said Law shall not be contracted out.

35C Trust company

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



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35D. Equity

- (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 with the approval of the Finance Committee of the Knesset.
- (b) The Minister of Finance may, upon consultation with the ISA and with the approval of the Finance Committee of the Knesset, prescribe regulations with regard to:
 - (1) The manner in which the equity, wholly or in part, shall be invested;
 - (2) A report which a trusteeship company shall submit to the ISA in regard to the investment of the equity and alterations of the same, the details to be included in the report, the form thereof, the period to be covered by the report and dates of submission.

35E. Restrictions in regard to appointment of trustee

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, its parent company or an associate of the same;
- (2) Under the circumstances, a conflict of interest may arise between the company, its parent company or an associate thereof 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

- (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, guarantee or other obligation - a description of the pledged property, guarantee or other obligation, and the circumstances in which the same may be executed;
 - (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 terms and circumstances upon which the trustee may claim the immediate repayment of the amount owing by virtue of the certificate of indebtedness, or realize pledges, guarantees or other obligations granted



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for purposes of securing the obligations of the issuer undertaken by the certificate of indebtedness;

- (4) The duty of the trustee to convene meetings of the holders of certificates of indebtedness, to set the dates for and determine 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 in a specific amount or percentage of the amount of the obligation under the certificate of indebtedness, and the time of payments thereof.
- (b) The Minister of Finance, after consultation with the Israel Securities Authority and with the approval of the Finance Committee of the Knesset, may prescribe by regulations additional items to be included in the trust deed.

35G. Amendment of the trust deed

The trust deed shall not be amended except in the following instances:

- (1) The trustee is convinced 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 in a general meeting at which at least fifty per cent of the holders of the certificates of obligation of the same series were present, or in a deferred meeting in at which at least ten per cent of the said holders were present.

35H Duties of the trustee

- (a) The trustee shall act in a manner beneficial to all the holders of the certificates of indebtedness.
- (b) Before any moneys are paid on account of the certificates of indebtedness, the trustee shall take all appropriate measures to ensure the validity of any pledge, guarantee or other obligation granted by the issuer or any third party for purposes of securing the obligations of the issuer towards the holders of the certificates of indebtedness; it is the duty of the trustee to the holders of the certificates of indebtedness to ensure that the aforesaid items are fully and accurately described in the prospectus under which the certificates of indebtedness were offered.
- (c) If the trustee becomes aware of an essential breach of the trust deed by the issuer, he shall notify the holders of the certificates of indebtedness of the said breach and inform them as to the measures he 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 privileges, in all general meetings of the issuer.



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- (e) The trustee shall inform the holders of the certificates of indebtedness the time and place where the annual report on the matters of the trust may be seen; 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 Israel Securities Authority, stipulate in Regulations the items to be included by the trustee in the said report.
- (f) A notice by the trustee to the holders of the certificates of indebtedness may be delivered by way of publication in at least two widely circulated newspapers in Israel in the Hebrew Language.

35 I. Representation by the trustee

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

35J Issuer's report to the trustee

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

35K A trustee shall not acquire nor shall he hold for himself certificates of indebtedness of the series for which he serves as a trustee, nor shall he hold for himself any securities of the issuer or of its parent company, subsidiary or associate.

35L. Restriction on securities transactions

A trustee shall not effect any transaction in regard to any security subject of the trust for the account of any person from whom he possesses power of attorney to act at his discretion.



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35M Validity of actions

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

35N Termination of office of the trustee

- (a) The office of the trustee shall terminate when -
 - (1) The terms stipulated in section 35C cease to exist;
 - (2) The equity of the trustee falls below the minimum required under section 35D (a);
 - (3) There exists any situation stipulated in section 35E.
- (b) A trustee may resign by submitting written notice to the person who appointed him; resignation of a trustee shall not take effect until approved by the court and until the date of said approval.
- (c) The court may remove a trustee from office if he has not adequately fulfilled his obligations, or for other reasons as shall be found by the court.
- (d) The holders of ten per cent of the outstanding nominal value of the certificates of indebtedness of a particular series may convene a general meeting of the said certificate holders, and, by a resolution passed by a majority of at least fifty per cent of the said certificate holders, remove a trustee from office.
- (e) The office of a trustee having terminated, the court may appoint another in his stead for such term and under such conditions as the court shall see fit; a trustee whose office has been terminated shall continue in office until the appointment of another trustee in his 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 event stipulated in subsections (a) through (e).
- (g) The ISA may likewise petition the court by virtue of this section.

35O. Appearance of the ISA before the court

- (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 interest of the holders of certificates of indebtedness of any series, he may appear at the said proceedings and be heard.



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35P Offer of securities by the state

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

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

35Q Listing securities of a foreign corporation for trade

The listing for trade of securities of a foreign corporation on a stock exchange may be by virtue of a registration document in accordance with the provisions of this Article, if the securities that the corporation is desirous of registering have been registered for trade on a foreign stock exchange for a period determined 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 Stock exchange listed in the third appendix

35R. The Minister of Finance may, in accordance with the proposal of the ISA or after consulting with the ISA, and with the approval of the Finance Committee of the Knesset; prescribe in the third appendix a foreign stock exchange not listed in the second appendix, if he is satisfied that that the rules of the foreign exchange and the law applying to corporations incorporated in Israel, the securities of which are listed for trade thereon, together with the additional details included in the registration document in accordance with the provisions of section 35B(a)(2), sufficiently satisfy the needs of the investor public in Israel.

35S. Amendments to appendices

The Minister of Finance may, in accordance with the proposal of the Israel Securities Authority or after consulting with the Authority, and with the approval of the Finance Committee of the Knesset, delete a foreign stock exchange from the second or third appendix, if he is of the opinion that in view of a radical change, the rules or the law applicable to corporations incorporated in Israel, the securities of which are listed for trade on the said foreign stock exchange, no longer sufficiently satisfy the needs of the public investors in Israel.

35T. Registration document

(a) The Minister of Finance shall, in accordance with the proposal of the ISA or after consulting with the ISA, and with the approval of the Finance Committee of the Knesset, enact regulations in regard to the structure and form, and with regard to the details of identity of the foreign corporation, its securities and the holders of



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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 appendix – 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 appendix – documents as aforesaid in section (1) and additional particulars as shall be provided; regulations enacted by virtue of this section may be according to categories of securities, foreign stock exchanges, foreign corporations, or any other category.
- (b) The registration document shall be signed by the foreign corporation and dated not prior to one day before the date of publication.

35U. Exemption from disclosure

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

35V Publication of registration document

- (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 delivery, publish in at least two widely distributed daily news papers published in Hebrew in Israel, an announcement to the effect that the registration document has been submitted and the places where copies may be obtained.
- (b) The ISA may instruct the foreign corporation to distribute copies of the registration document to such places and of such quantity as shall be ordered.
- (c) The ISA may, with the approval of the Minister of Finance, promulgate rules pertaining to the details to be included in the announcement in accordance with subsection (a).

35W Date of registration for trade

- (a) The securities offered under the document of registration may be listed trade for.
- (b) If, during the period stated in subsection (a), the foreign corporation was bound to submit reports or notices under section 35AE. 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 of commencement of trade of the corporation's securities on the stock exchange.



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35X. Power to demand additional details

- (a) A foreign corporation shall submit to the ISA in writing, upon demand of the ISA or any employee so authorized and within the time stipulated, any explanation, detail, information or document with respect to any item included in a registration document pursuant to the foreign law; the ISA or an employee so designated may refer to any authority charged with the supervision or enforcement of the foreign law, prior to referring to the foreign corporation itself as aforesaid.
- (b) The ISA or any employee so authorized may after having first given the foreign corporation an opportunity to be heard, order the foreign corporation to submit an immediate report amending the document of registration, if it is of the opinion that the details included in the document of registration were not in accordance with the provisions of the foreign law; the ISA or an employee so designated may refer to any authority charged with the supervision or enforcement of the foreign law, on any subject concerning this matter, prior to referring to the foreign corporation itself as aforesaid.
- (c) The provisions of section 36(h), 38 and 38(a) shall apply, mutatis mutandis, to the matter stated in subsection (b).

35Y. Liability of a foreign corporation for registration document

[Amended: 2000(3), 2004]

(Repealed).

35Z. Stay of proceedings in Israel

At the request of any litigant, in any action submitted to a court in Israel for a cause under any law relating to injury in connection with the securities of a foreign corporation, the court may stay the proceedings, if it is satisfied that an action was submitted in a foreign court for the same or similar cause, until the end of the said proceedings or final appeal thereon; for this purpose, “connection with the securities” shall have the same meaning as within section 207 of the Companies Law – 1999.

35AA. Delisting

- (a) If, within a year of having been listed in the 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 the 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 Article 6 shall apply to the corporation.



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35AB. Delisting at request of the foreign corporation

- (a) A foreign corporation may request that its securities be delisted from the stock exchange, provided that notice to that effect was submitted by way of an immediate report at least three months prior to the requested delisting date as aforesaid, and shall, within one business day of the date of submitting the immediate report, publish an announcement to that effect in at least two widely distributed daily newspapers published in Hebrew in Israel.
- (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 intent to suspend the trading or delist the securities.
- (c) Notwithstanding the provisions in section 35AE, from the day of delisting of a foreign corporation from the stock exchange by notice as aforesaid in subsection (a), the said corporation shall not be subject to the reporting obligations by virtue of this law.

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

- (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 information to be contained in a prospectus, 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, if it is satisfied that it is correct to do so under the circumstances, and it may subject the exemption to any terms, including the matter stated in subsection (b).
- (b) A corporation who has published a prospectus as aforesaid in subsection (a), and prior to such publication was not subject to the reporting obligations under this Law, shall submit reports in accordance with this Article or Chapter 6 as long as its securities are listed for trade in a foreign stock exchange.
- (c) In this section – “an offer to the public” – excluding the listing of securities for trade in accordance with this article.

Foreign corporations that have listed securities on a foreign exchange

35AD. The ISA may determine that any or all of the provisions of this Article shall apply to a corporation incorporated outside of Israel and the securities of which are



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listed on a foreign stock exchange, and which is desirous of listing these securities for trade on the stock exchange; the aforesaid decision may be qualified by the terms as determined by the ISA.

35AE. Reporting duties of foreign corporation

(Amended: 2000, 2002)

- (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, is liable to submit to the ISA and the stock exchange reports or notices under this article, as long as its securities are held by the public.
- (b) A foreign corporation as stated in subsection (a) shall not be subject to the provisions of article 6 and regulations under 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 the proposal of the ISA or after consulting with the ISA, and with the approval of the Finance Committee of the Knesset, enact regulations in regard to reports and notices by a corporation as aforesaid in subsection (a), and in regard to their form and dates of delivery, and all inclusive of the matters stated in section 56(d)(2) and (3); regulations under this section shall provide:
 - (1) In regard to corporations as aforesaid in subsection (a) and the securities of which are listed for trade in a foreign stock exchange listed in the second appendix - the documents that the corporation is bound to publish under the foreign law and the documents published by the corporation, as well as the particulars identifying the corporation, its securities and the holders of the securities, and which shall be included in the said reports or notices;
 - (2) In regard to corporations as aforesaid in subsection (a) and the securities of which are listed for trade in a foreign stock exchange listed in the third appendix - the documents and particulars contained in section (1), and such additional particulars as shall be provided and shall be included in the said reports or notices; regulations under this section may be of a general nature or for a category of securities, foreign stock exchanges, foreign corporations or any other category.
- (d) Upon demand of the ISA or any designated employee, a corporation as aforesaid in subsection (a) shall submit any immediate report which it is bound to submit under the foreign law.
- (e) The ISA or any employee so authorized 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 Article, if it is of the opinion that the details included in the report or notice were not in



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accordance with the provisions of section 35AE; the ISA may refer to any authority charged with the supervision or enforcement of the foreign law, in any matter concerning the aforesaid, prior to referring to the foreign corporation itself as aforesaid.

- (f) If the ISA or the Chairman are convinced that a corporation is unable to submit a report or notice, under this Article, at the time prescribed by regulations, they may postpone the day or time of such submission.

35AF. Transfer from one reporting regime to another

- (a) A corporation the securities of which are listed for trade both on the stock exchange and on a foreign stock exchange, and which reports in accordance with the provisions of article 6, may transfer its reporting obligations to the provisions of this article, so long as its securities are listed for trade on a foreign stock exchange.
- (b) A corporation reporting in accordance with the provisions of this article may transfer its obligations to the provisions of article 6.
- (c) A transfer as aforesaid in subsections (a) and (b) requires the consent of the majority of the security holders, excluding the controlling persons, participating in a vote at a general meeting of the security holders, including general meetings of a class of security holders.

35AG Change of reporting regime

With the transfer from one reporting regime to another in accordance with section 35AF the corporation shall submit to the ISA and the stock exchange, and if incorporated in Israel also to the Registrar and in the form prescribed by the regime to which it transferred:

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

Chapter 5D: Securities of the World Bank

35AH. Public Offer of Special Securities

- (a) In this chapter "*Special Securities*" – securities issued by the World Bank and that do not bestow participating or membership rights in the World Bank and are not given to conversion or realization into securities bestowing the aforesaid right.



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- (b) A public offer of special securities to the public may be according to a public offer instrument in accordance with regulations stipulated under this chapter (henceforth – "public offer instrument").
- (c) Regulations under Chapter 1C, shall not apply to a public offer of special securities according to this chapter.

35AI.

- (a) Minister of Finance, in accordance with the proposal of the ISA or after consultation with the ISA, and with the approval of the Finance Committee of the Knesset, shall regulate rules regarding the form and structure of the public offer instrument and regarding details and documents that have to be included in it, he is also entitled to regulate rules regarding various types of public offer instruments.
- (b) A public offer instrument shall be signed by the special securities issuer and be dated not earlier than one day before its publishing.
- (c) A public offer instrument shall come under the regulations of section 35V, with required amendments, as well as regulations under sections listed henceforth, with required amendments accordingly:
 - (1) Regarding a public offer of special securities by means of registration on the stock exchange only – regulations under section 35W;
 - (2) Regarding a public offer of special securities not as aforesaid in subsection (1) - regulations under section 24.

35AJ. Authority to instruct on completion of details

Issuer of special securities shall submit an explanation, details, knowledge and documents regarding the public offer instrument - in writing to the ISA, following a request by it or by an employee authorized by the ISA to do so, within a stipulated period.

35AK Reporting obligations of the special securities issuer

- (a) Issuer of special securities that offers them to the public under this chapter is obliged to submit to the ISA and the stock exchange – reports, notices or documents according to this chapter, for as long as special securities are held by the public, traded on the stock exchange or are listed for trade on the stock exchange.



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- (b) The issuer, as stated in subsection (a), shall not come under the stipulations of Chapter F and regulations according to section 56(d), with the exception of section 38A that will apply with required changes.
- (c) Minister of Finance, in accordance with the proposal of the ISA or after consultation with the ISA, and with the approval of the Finance Committee of the Knesset, shall regulate rules regarding reports, notices, or documents that the issuer has to submit according to regulations under subsection (a), as well as their form, dates for editorship and submission, and details or documents that are to be included in them; he is also entitled to regulate rules regarding various types of public offer instruments.

35AL Responsibility of the special securities issuer

- (a) Regulations of sections 31 through 34 shall apply, accordingly and with required changes, on the issuer of special securities in regard to a misleading chapter in a public offer instrument, in a report, in a notice or a document submitted under this chapter.
- (b) The responsibility under the aforesaid sections and under subsection (a) and according to section 52K shall not apply to a director of an issuer of the special securities, on its CEO and on its controlling shareholder.

Application and enactment

- (a) Application of Chapter **5D** of the Securities Law, 5728-1968, (in this section – Securities Law) as formulated under section 2 of this Law, is on the date of enactment of Regulations according to sections 35AE(a) and 35AK(c) of the Securities Law as formulated under this section.
- (b) Regulations under section 32A(a) of the Securities Law as formulated under section 1 of this Law, in regard to the annual report for the year 2004, shall apply to the annual report submitted on the publication date of this Law and onwards.

**Chapter 6:
Current Report**

36. Reporting duty of corporations

(Amended: 1988, 1991, 1999, 2000, 2002)

- (a) A corporation whose securities have been offered to the public by prospectus is liable to submit to the ISA reports or notices under this article as long as its securities are held by the public; a corporation whose securities are traded on the stock exchange or listed for trade thereon is liable to submit reports or notices under this article to the ISA and the stock exchange.



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- (b) The Minister of Finance shall, upon the proposal of or after consultation with the ISA and with the approval of the Finance Committee of the Knesset, make regulations in regard to the items to be included in the reports or notices as aforesaid, form, periods to be covered and dates of submission, including items to be included therein to the best of the knowledge of the directors of the corporation.
- (c) Regulations under this section shall relate to every matter which, in the opinion of the Minister of Finance, is of importance to a reasonable investor considering purchase or sale of the securities of the corporation, and may relate to any of the matters specified in section 17(b), and may require, in addition to a periodic report, an immediate report on specific occurrences.
- (d) The Minister of Finance may make regulations under this section either generally or for specific classes 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 authorized employee, 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 aforesaid in subsection (a) shall, upon the demand of the ISA or of any employee so authorized -
 - (1) Submit to the ISA in writing, within the period prescribed in the demand, any explanation, detail, information or document with respect to any item included in a report or notice pursuant to this article;
 - (2) Submit to the ISA an amendment to any report or notice submitted pursuant to this article, within the period prescribed in the demand, if they are of the opinion 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) merit a demand as aforesaid;
- (g) The ISA may, after having first given the corporation an opportunity to be heard, order the corporation to submit by virtue of subsection (a), and within a specified period -
 - (1) A report which includes an opinion in addition to an opinion originally included in such report, if it 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) merit an order as aforesaid;



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- (2) Financial reports, an auditor's opinion or review by the auditor who audited or reviewed the same, or by another auditor, in place of the one included in the original report submitted to the ISA, if it is of the opinion that they were not in accordance with the 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 so authorized are convinced that a corporation is unable to submit a report or notice, under this article, within the time prescribed by regulations, they may extend the time for such submission.

36A. ISA to prescribe manner of presentation of items

- (a) The ISA may direct the corporation as to the manner in which an item shall be presented in the financial reports, periodical report or immediate report, if it is of the opinion that the same is necessary for purposes of protecting the interests of the public investing in the securities of the said corporation, provided that no other provisions for the same are in effect by virtue of regulations under sections 17 or 36, generally accepted accounting principles or generally accepted reporting standards.
- (b) If the same shall, in the opinion of the ISA, be deemed necessary for the protection of the public investing in securities, the ISA may issue directives in respect to the manner of presentation of items in reports under subsection (a); such directives shall be published in a manner determined by the Chairman of the ISA.
- (c) Directives under subsection (a) shall be in effect for a period of one year commencing from the date of publication, unless otherwise previously provided in regulations under sections 17 or 36 or in generally accepted accounting principles and generally accepted reporting standards; 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 an order under subsection (a) has been issued to more than one corporation, the same shall be issued as a directive under subsection (b) within sixty days.
- (e) Before issuing directives as aforesaid in subsection (b) and before extending force of the same under subsection (c), the ISA shall allow the President of the Associate of Accountants of Israel an ample opportunity to be heard, and while the said directives are in effect, the said associate may publish an opinion in regard to the same only with the consent of the ISA.



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36B Duty of guarantor to report

The provisions of this article shall apply, *mutatis mutandis*, to a corporation guaranteeing obligations under a certificate of indebtedness as defined in section 35A, and whose financial reports were included in the prospectus by virtue of which the certificates of indebtedness were offered to the public, as long as the guarantee be in effect.

36C. Exemption from reporting

- (a) The ISA may exempt a corporation from disclosing any item in a report under this article, if it is of the opinion that the terms under section 19(a)(1) prevail, *mutatis mutandis*.
- (b) The District Court may exempt a corporation from disclosing any item in a report under this article, if it is of the opinion that the terms under section 19(a)(2) prevail, *mutatis mutandis*; the Attorney-General shall be the respondent in an application under this subsection.
- (c) If an exemption has been granted under this section, the same shall be stated in the report.

37. Duty of a principal shareholder to submit a notice

- (a) Where regulations under section 36 require a corporation to disclose in its reports details of securities which are held by a principal shareholder therein, or other details concerning the said principal shareholder, including changes in his holdings, the said principal shareholder shall submit to the corporation a notice according to the 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 possessor shall be exempt from submitting the said notice; if the possessor 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 in regard to the event by virtue of which he has ceased to be a principal shareholder.
- (c) A notice under this section shall be in writing, shall be signed by the principal shareholder or by the person who has ceased to be a principal shareholder, and shall be submitted to the corporation within a time limit prescribed by the Minister of Finance in accordance with the proposal of the ISA or after consultation with the ISA, and with the approval of the Finance Committee of the Knesset.



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38. Court order to submit a report

- (a) Where a corporation has not submitted a report under this article at the prescribed time, or has not submitted the same in accordance with the provisions of section 36, or has not amended the same within the time prescribed by the ISA or by an employee so authorized, or did not submit an explanation, detail, information or document in regard to items included in the report or notice in accordance with section 36, or has not submitted an additional or other opinion as ordered by the ISA, the District Court may, on the application of the ISA, order the corporation and its directors to do so, or to amend the same or to submit an additional or other opinion within the time prescribed by the Court, and, if necessary, order a principal shareholder to submit to the corporation a notice under section 37.
- (b) Where a principal shareholder has not submitted a notice under section 37 or has not submitted the same in accordance with the provisions of the same, the District Court may, on application by the corporation, order the said principal shareholder to submit or amend the same within the time prescribed by the Court.

An order to suspend trade

- 38A.** (a) Where a corporation has done any of the following:
- (1) Has not submitted a report or notice under this article within the prescribed time;
 - (2) Has submitted a report or notice which has not complied with the provisions of sections 36, 36A or 37, provided that the ISA is convinced that the irregularity is of an essential 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 trade of the securities of the aforesaid corporation.
- (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 trade of the securities of the said corporation.
- (c) The aforesaid under subsection (a) shall not be construed as derogating from the powers of the stock exchange to suspend trade of securities in accordance with its bylaws.

38B. Civil liability of interested parties

The provisions of sections 31 through 34 shall apply, *mutatis mutandis*, to a principal shareholder who has submitted a report or notice under sections 36, 36A or 37, in regard to a possessor of securities of the corporation.



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

(Amended: 5764 - 2004)

- (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 and a controlling shareholder therein - with regard to a misleading item that was in the report, notice or document that the corporation filed under this Law (in this section - report);
 - (2) To someone who gave an opinion, report, review or certificate that were included or mentioned, with his prior consent, in the report - with regard to a misleading item that was in the aforesaid opinion, report, review or certificate.
- (b) In this section, “controlling shareholder” - excluding the State.

Chapter 7:

Additional Provisions as to Issues, Offers to the Public and Current Reports

39 Approval by the minister of finance

- (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 in that behalf.
- (b) The Minister of Finance shall not refuse approval under this section unless it appears to him 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 under this section.

39A

- (a) Rules and Regulations of the Companies Law, listed in the Forth Schedule, will apply, with 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 Rules and Regulations, all or in part, if it became



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- convinced that a foreign law that applies to a company sufficiently ensures the interests of the investing public in Israel;
In this section "*foreign law*" – a law that applies to a company in a country in which it was incorporated, as well as the law that applies to it due to the registration of its shares for trade on a foreign stock exchange, including the rules of that same stock exchange.
- (b) If the ISA became convinced, as aforesaid in subsection (a), it shall exempt a company from Rules and Regulations, as stipulated, and inform the company regarding of its decision at the time of issuing the permit for prospectus publishing.
 - (c) The Minister, in consultation with the Minister of Justice and with the ISA, may add an Ordinance in the forth schedule or subtract from it Rules and Regulations to the Companies Law.
 - (d) Regulations under this section will not apply to a company whose securities are listed for trade on a foreign stock exchange.
- 40.** Offers and trading abroad - *Repealed*
- 41.** Offers by foreign issuers - *Repealed*
- 42.** Offers by the state - *Repealed*
- 43.** Bonus shares - *Repealed*
- 44. Inspection of documents**
(Amended: 1988, 2000, 2002)

Copies of a prospectus whose publication has been permitted, a registration document, and every report, opinion or approval included or mentioned therein, and also of every report and notice submitted under sections 36 and 37 shall be available at the head office of the issuer or the corporation for the inspection of anyone who wishes, 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 person giving an opinion
(Amended: 1988)

Someone who gives an opinion required under this law shall not be a principal shareholder in the issuer to which the opinion refers.



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**Chapter 7A:
Electronic Reporting**

44B⁵ Reporting methods
(Amended: 2002)

- (a) A draft prospectus, a prospectus whose publication has been permitted, a registration document and every report, opinion or approval included in them, and also every report, notice or other document that must be filed with the ISA or with the stock exchange under this law - shall be filed according to the provisions of this article.
- (b) A document that must be filed also with the stock exchange under the provisions of this law and was reported electronically to the ISA shall be transferred by the ISA to the stock exchange and the electronic reporting to the ISA shall be deemed also as complying with the filing duty to the stock exchange.

44C⁶ Data security
(Amended: 2002)

For the sake of data security of documents reported electronically to the ISA under this article, the ISA shall make use of reliable software and hardware systems that provide, to its satisfaction, reasonable protection against hacking, error, interference or damage caused to the computer or to computer material, and that provide a reasonable level of accessibility and reliability.

44D Implementation and regulations
(Amended: 2002)

- (a) The Minister of Finance shall enact, according to the proposal of the ISA or after consultation therewith and with the approval of the Finance Committee of the Knesset, regulations concerning:
 - (1) Procedures for electronic reporting and 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);

⁵ According to the announcement published by the Minister of Finance in Collection of Notifications 5232, p.147, enactment date of this section is on 2.11.2003

⁶ According to a notice published by the Minister of Finance in Collection of Notifications 5232, 5764, p. 147, the date on which this section came into effect were 2 November 2003.



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- (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 an exemption from such fees, with regard to inspection, production and distribution of reports and data reported to it electronically.
- (b) Without derogating from the provisions of the Electronic Signature Law, the Minister of Law 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 the proposal of the ISA or after consultation therewith and with the approval of the Scientific and Technological Research and Development Committee of the Knesset, concerning:
- (1) Additional terms to what is required of a certification authority in the Electronic Signature Law, so that he may be a certification authority for the purpose of electronic reporting under the provisions of this law (in this law — person approving signature);
 - (2) The duties of a certification authority, in addition to his duties under the Electronic Signature Law;
 - (3) The minimum requirements for the hardware and software systems of a certification authority, in addition to the requirements under the Electronic Signature Law.

44E Authority of the ISA
(Amended: 2002)

- (a) The ISA is authorized to determine 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 done;
 - (5) The structure and format of forms which shall be used for the purpose of electronic reporting;
 - (6) Terms relating to inspection, production and distribution of reports and data reported to it electronically.
- (b) Publication of the rules under subsection (a) will be in the manner prescribed by the Minister of Finance, in consultation with the ISA.



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44F⁷ Certifier of signature
(Amended: 5763 - 2002)

The chairman of the ISA, or whomsoever he authorized for this, may require of a certifier of signatures or someone who wants to be a certifier of signatures any explanation, details, information or documents, for the purpose of examining his compliance with the provisions of this law.

Chapter 8:
The Stock Exchange

45 License
(Amended: 1991, 2000)

- (a) No person shall open or manage a stock exchange except with a license from the Minister of Finance 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 -
 - (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 its objects 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 given under section 45(a).
 - (3) It has drawn up rules as stated in section 46, and the rules have been approved by the Minister of Finance after consultation with the ISA and by the Finance Committee of the Knesset;
 - (4) The stock exchange managed by it shall be in a city in which there is not yet a stock exchange.

45A Directorate of a stock exchange
(Amended: 5748, 5751 – 1988, 1991)

- (a) The directorate of the stock exchange (hereafter - the directorate) shall be composed as follows:
 - (1) Seven directors appointed by the members in accordance with the stock exchange documents of association;

⁷ According to the announcement published by the Minister of Finance in Collection of Notifications 5232, p.147, enactment date of this section is on 2.11.2003



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- (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 shall be elected by the directorate with the approval of the Chairman of the ISA, provided that he holds the qualifications necessary for external directors, as provided in subsection (f), and that he 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 elected by the directorate provided that he holds the qualifications necessary for external directors, as provided in subsection (f), and that he 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 power.
- (b) The term of office of an external director shall be two years, and he may be reappointed for two additional terms of two years each; after a lapse of two years of a term in office as aforesaid, he may be reappointed as an external director.
- (c) The term of office of the chairman of the directorate shall be five years, and he may be reappointed for an additional five year term.
- (d) For purposes of this section and section 45B - “appointment committee” - 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 High Court, who shall be the chairman of the appointment committee, and who shall have a casting vote in the event of a split decision;
 - (2) The Chairman of the ISA;
 - (3) The chairman of the directorate;
 - (4) The dean of the faculty of business administration of the university in the city where the stock exchange is located, or a member of the faculty so appointed by him, provided that he holds the qualifications necessary for external directors;
- “Principal shareholder” — by himself or together with a relative
- (e) The appointment committee shall prescribe rules for its management and the manner in which its proceedings shall be conducted.
- (f) An external director shall not be a member of the stock exchange or a principal shareholder in a member, nor an employee of a member, or an employee of a corporation controlled by a member, or an employee of a person in control of a



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member, nor shall he be a person who provides, on a permanent basis, services to any of the aforesaid, nor shall he be, by virtue of possession, a principal shareholder in any corporation the securities of which are registered for trade on the stock exchange; the Minister of Finance may prescribe, in Regulations, additional criteria in regard to the qualifications of external directors.

45B Tenure expiration of an external director

- (a) A person shall cease to act as an external director prior to the expiration of his term of office if any one of the following transpires:
- (1) He has submitted a letter of resignation;
 - (2) He has been absent from four consecutive meetings of the directorate or from six meetings within a year, unless the appointment committee has approved his continuation after being convinced of the justification of his absenteeism;
 - (3) He is, in the opinion of the appointment committee, unable to fulfill his duties;
 - (4) There is, in the opinion of the appointment committee, a circumstance that disqualifies him from serving as an external director.
- (b) An external director resigning from office before the termination of the period for which he was appointed, shall submit to the directorate, with a copy to the chairman, a written notice stating the reasons for his resignation.

45C Prohibition of carrying out a transaction in securities

(Amended: 5748, 5764 – 1988, 2004)

The provisions of section 5(a) and (b) shall apply to the directors and employees of the stock exchange, but the notice under section 5(b) shall be delivered in their case to the chairman of the ISA and to the chairman of the Board of Directors.

45D Reporting

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 Rules of the stock exchange

- (a) The rules of the stock exchange shall provide rules for the proper and fair operation of the stock exchange; without derogating from the aforesaid, the rules may provide, 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;



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- (b) The spectrum of activities permitted to a member of the stock exchange;
 - (c) The duties of the members of the stock exchange to the stock exchange and its members, including duties of disclosure, recording and reporting;
 - (d) Rules of behavior for the members of the stock exchange towards their clients, including duties of disclosure, recording and reporting;
 - (e) Supervision and inspection of the stock exchange in regard to the upholding by its members of the provisions of the rules of the stock exchange and its directives;
 - (f) Disciplinary rules and jurisdiction in 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*, on a company operating in the spectrum of activities permitted to a member of the stock exchange and which is under control of or has control over a member of the stock exchange;
- (2) Rules for the registration of securities for trade on the stock exchange (hereafter - registration for trade) including rules regarding:
- (a) Criteria of a company eligible to have its securities registered for trade regarding period of activity, volume of activity and business results, amounts of assets and liabilities, relationship to other corporations and classification of registration; various rules may be made in accordance with the classification of the economic activity of the company;
 - (b) Criteria for securities to be registered for trade regarding classification, their minimum total value at the time of registration, the minimum portion of the securities to be held by the public immediately after registration and the degree of dispersal, and the maximum number of classifications or series;
 - (c) The ratio between the price of the security upon issue and the price of the securities of the company on the stock exchange, the method of execution of the issue and the mode of allocation of the issued securities;
 - (d) ***Repealed***
 - (e) Registration for trade of securities that were issued by a non public offer;
 - (f) Prohibition of any transaction or activity in securities by a holder or category of holders for a predetermined period;



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- (g) An obligation on the company to the effect that all of its issued share capital is fully paid up;
 - (h) an obligation on the company to the effect that all of its issued share capital be registered for trade, and rules for the exception of this rule in regard to companies to which the Law For the Encouragement of Industry (Taxes), 1969 applies; an obligation as aforesaid shall not apply in regard to State shares as provided in section 46B (1);
- (3) Rules regarding trade on the stock exchange, including -
- (a) Trading hours;
 - (b) Trading in various trading groups or systems of trade;
 - (c) The supervision and inspection of the stock exchange pertaining to the compliance with rules and regulations of the stock exchange in respect to trading and the proper conduct thereof;
 - (d) Terms and rules for the temporary suspension or limitation of trade in a security or class of securities;
 - (e) the restriction of trading on the stock exchange to its own members only or to persons so authorized by the stock exchange, and the terms for such authorization;
 - (f) Publication of the trading results;
 - (g) The circumstances under which a transaction in securities registered on the stock exchange may be affected by a member thereof otherwise than in the course of trading thereon;
- (4) The obligations of a corporation, the securities of which are registered for trade on the stock exchange, (hereafter - a registered company) including:
- (a) Continuance of observing the rules of registration for trade, even after registration, subject to changes due to the fact that the said securities of the company are registered for trade;
 - (b) The duty to notify the stock exchange of any particular type of occurrences and to provide information upon demand by the stock exchange;
- (5) Terms and procedure for the suspension of trade of a security or for the cancellation of a security from registration for trade, including cancellation initiated by the registered company;
- (6) Rules for the publication of information by the stock exchange, including information regarding trade, to the members of the stock exchange and to the registered companies;
- (7) Commissions, registration fees and fees for services provided by the stock exchange;
- (8) The application of the rules to a corporation that is not a company and to units of a closed fund as defined in the Joint Investment Trust Law, and the adjustments required for this.



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- (b) The rules of the stock exchange may allow the directorate of the stock exchange to refuse to register 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 person controlling the same or between the company and another company under the control of the controlling person, provided that any resolution as aforesaid shall be passed by a majority of directors composed of at least two-thirds of those participating in the meeting, after the company has been granted ample opportunity to bring its case in writing before the directorate.
- (c) The rules of the stock exchange and any amendment thereto may determine transitional provisions in addition to the provisions determined therein.
- (d) The directorate of the stock exchange may, with the approval of the ISA, determine directives that include details, terms and reservations with regard to anything set out in the rules, provided that it is expressly empowered to do so in the rules.

46A Temporary provisions

- (a) Notwithstanding the aforesaid in section 46, the stock exchange may, if it sees fit, issue temporary provisions in matters concerning sections 46(b) or (c), for purposes of experimentation prior to their being permanently included in the rules of the stock exchange.
- (b) Temporary provisions are subject to the approval of the ISA.
- (c) Notice of temporary provisions shall be submitted by the ISA to the Minister of Finance and to the Finance Committee of the Knesset, 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, the same shall be heard by the committee, and the 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, provided that the ISA may approve the extension of the same for an additional period not exceeding one year.
- (e) The 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.



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- (f) Temporary provisions shall be published in the way in which the rules of the stock exchange and an amendment of the rules is published as stated in section 49.

46B. Equalization of voting rights

- (a) A stock exchange shall not register for trade thereon shares or securities convertible into shares, unless it is satisfied that the following terms have been met:

- (1) in regard to a company the shares of which are registered for trade for the first time - the share capital of the company shall consist of one class of shares only conferring equal voting rights in proportion to their nominal value; this term 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 registered for trade;
- (2) in regard to a registered company as defined in section 46(a)(4) – any additional issue shall be in regard to the shares most preferred in regard to voting rights; nothing in this provision shall be construed as prohibiting a registered company, the share capital of which consists solely of shares permitted under section (1), from issuing preference shares starting from January 1, 1992 or at the lapse of one year from the time its share capital consisted solely of shares as aforesaid, according to the later of the two.

- (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 decided are necessary for purposes of protecting a vital interest, and which confer special rights to the government as provided by the said decision prior to the registration for trade thereof.

46C. Duties of holders of founder shares

Any person who, on August 1, 1990, held founder shares and capital shares in a registered company, shall continue to hold - he or any person who acquired the founder shares from him - capital shares in a proportion not less than that held by him at the said date, unless and to such extent that a decrease in the proportion of his holding of capital shares is due to rights conferred upon other shareholders of the company, prior to that date, for realization or conversion of the said securities into share capital; nothing in this provision shall derogate from the application of section 46B(a)(2) to a registered company.



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47 Appeal of decisions of stock exchange

- (a) A person who considers himself injured by a decision of a stock exchange not to admit him as a member or to suspend or terminate his membership or by a decision of a stock exchange in disciplinary proceedings may appeal such decision to the District Court.
- (b) A person who considers himself aggrieved by a decision of a stock exchange other than as provided in subsection (a), and which is not a decision made in the course of trading on the stock exchange, may appeal such decision to the District Court; 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.

48 Amendments to the rules of the stock exchange

(Amended: 5748, 5754 – 1988, 1994)

- (a) The directorate of the stock exchange may amend the rules of the stock exchange; the amendment requires the approval of the Minister of Finance, after consultation with the ISA, and the approval of the Finance Committee of the Knesset.
- (b) If the ISA is of the opinion that for proper and fair management of the stock exchange an amendment should be made to the rules of the stock exchange, it shall give notice of this to the stock exchange; if the stock exchange does not change the rules in accordance with the notice within the time prescribed therein, the Minister of Finance may, in accordance with the proposal of the ISA and with the approval of the Finance Committee of the Knesset, change them by an order, and the change shall take effect on the date determined in the order.
- (c) A change under subsection (b) shall not be cancelled or changed by the stock exchange except with the consent of the Minister of Finance.

49. Publication of rules of the stock exchange

The rules of the stock exchange and any change thereto shall be published in the manner directed by the Minister of Finance.

50 Continuity of operation of stock exchange

- (a) A stock exchange shall not be closed unless it is of opinion or the Minister of Finance is of opinion that it is deemed to be necessary in the interests of the investing public.
- (b) A stock exchange shall not decide upon its closure for more than one business day save with the approval of the Minister of Finance.



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- (c) Where a stock exchange has decided upon its closure, it shall forthwith 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

(Amended: 5765 - 2005)

- (a)⁸ In this section -

“Stock exchange” - including a stock exchange outside Israel which has received approval from whoever is entitled to grant it under the law of the country in which it operates, and also a regulated market as defined in the Joint Investment Law;

“Member of a stock exchange” - for the purpose of a stock exchange as defined in section 1 - someone who is a member of a stock exchange in accordance with the rules of the stock exchange within the meaning thereof in section 46, and for the purpose of 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 them as a member therein or as a participant therein;

“Member of a clearing house” - 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 engages in acting as a clearing house for 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, on the stock exchange, securities that are cleared through a clearing house, is not entitled to the securities that he bought as aforesaid 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 acquired by the clearing house; the clearing house shall be subject for this purpose to the provisions of section 34 of the Sale Law, 5728-1968, and it shall be regarded as someone who

⁸ The enactment of this section is at the end of 45 days from 17.11.04, it shall also apply to the charge of securities, which are collateral for a member of a clearing house or another person, toward the clearing house that was created before the application of this section.



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bought the securities from someone who engages in the sale of assets of the type being sold and for whom the sale was in the normal course of his business.

- (c) A stock exchange member who sells, on the stock exchange, securities that are cleared through a clearing house is not entitled to the consideration that was received for the sale thereof, unless he transfers the securities that he sold as aforesaid to the clearing house.
- (d) A charge of securities that serves as collateral for an undertaking of a member of a clearing house to the clearing house is valid against other creditors of the member of the clearing house and it shall be regarded as a first-degree fixed charge, provided that one of the following is fulfilled:
 - (1) The securities are registered in favor of the clearing house in whose favor the charge was given, at a financial agent including at the clearing house itself, or are registered in favor of the clearing house as aforesaid at a registration company;
 - (2) The securities are registered in favor of a member of the clearing house, at a financial agent who is not the clearing house in favor of which the charge was given, and the financial agent gave an undertaking to the clearing house in favor of which the charge was given, as set out as follows:
 - (a) To act in accordance with the instructions of the clearing house without any need to receive the consent of the member of the clearing house, provided that he received the prior consent of the member of the clearing house thereto;
 - (b) Not to act in accordance with the provisions of any person other than the clearing house and the member of the clearing house;
- (e) The securities are registered in favor of the member of the clearing house at the clearing house in favor of which the charge was given, and both of the following are fulfilled:
 - (a) The clearing house received prior consent of the member of the clearing house to act on its own without needing to receive his consent;
 - (b) The clearing house undertook to the member of the clearing house not to act in accordance with the instructions of any person other than it and the members of the clearing house.
 - (c) Realization of a charge of securities, which serves as collateral for an undertaking of a member of a clearing house or another person to a clearing house may be done by the clearing house, even without an order of a court or of a chief enforcement officer as stated in section 17 of the Pledge Law, 5727-1967, by way of a



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sale of the securities on the stock exchange or by any other reasonable commercial method, provided that one of the following applies with regard to the charge of the securities:

- (1) What is stated in sub-section (d)(1);
 - (2) The securities are registered in favor of the person giving the charge at a financial agent who is not the clearing house in whose favor the charge was given, and the financial agent gave an undertaking to the clearing house in whose favor the charge was given to act in accordance with its instructions without any need to receive the consent of the person who gave the charge, provided that it received the prior consent of the person who gave the charge thereto;
 - (3) The securities are registered in favor of the person who gave the charge at the clearing house in favor of which the charge was given, and the clearing house received a prior consent of the person who gave the charge, to act on its own; the charge giver gave clearing house a power of attorney to impart another with rights in the aforesaid securities.
- (f) The clearing house shall only realize a charge in accordance with the provisions of sub-section (e) after it has delivered to the person who gave the charge a notice of its intention to do so, two business days in advance; however, the clearing house may realize the charge without prior notice as aforesaid, if in its opinion one of the following is fulfilled:
- (1) A delay in realizing the charge may materially harm the ability to obtain payment of the undertaking which is secured by means of realization of the charge;
 - (2) There exist other terms that require immediate realization of the charge, in whole or in part.
- (g) The clearing house is liable to the person giving the charge for damage that is incurred by him on account of a realization of the charge 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, 5759-1999, and they shall apply also for the purpose of a right in a security; however, nothing in the provisions of this section shall derogate from the right of a clearing house to act for the purpose of charging and realizing securities in accordance with the provisions of any other law -
- (1) Nothing in the provisions of sub-section (d) shall derogate from the validity of a charge of securities that serves as collateral for an undertaking of a member of the clearing house to a third party, if before the commencement of the Securities Law



The Securities Law, 1968 (Amendment no.26), 5764-2004, it was valid vis-à-vis other creditors of the member of the clearing house, under the provisions of any law.

(2) The beginning of section 50(a), as formulated in the Law, will also apply to the charge of Securities that serves as collateral for a member of a clearing house or any other person toward a clearing house, that was established prior to this law's enactment.

51 Supervision of the ISA over activities of the stock exchange

- (a) The ISA shall supervise the orderly and fair operation of the stock exchange.
- (b) If the ISA is of the opinion, after first having granted the chairman of the stock exchange ample opportunity to be heard, that the stock exchange is operating contrary to the provisions of its rules or its provisions or in a manner contrary to orderly and fair operation, it shall approach the stock exchange and direct it as to the proper manner of operation.
- (c) A stock exchange shall submit to the ISA reports on its activities 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 the stock exchange, at the meetings of the directorate and at the meetings of its committees.

52. Definition

In this article, "*securities*" include securities not included in the definition in section 1, including units of a closed fund within the meaning of the Joint Investments Trust Law.

Chapter 8A: Limitations of Use of Inside Information

52A Definitions (Amended 2007)

In this article:

"Company" - 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" - within the definition thereof under section 52;



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"Base asset" - asset subject to obligation of the security

"Inside information" - information on a development or expected development in a company or on a change or expected change in its situation, or any other information on 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 security of the company;

"Insider", in a company -

- (1) A director, general manager, a substantial shareholder in the company or any other person whose status or function in or relations with the company gives him access to inside information on or within six months prior to the determining day; for this purpose, "the determining day" means the day on which use is made of the inside information;
- (2) A family member of one of those listed in section (1);
- (3) A corporation controlled by one of those listed in sections (1) and (2);

"Major shareholder", 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 -

"Holding" - alone or together with others, whether directly or indirectly, by means of a trustee, trust company or registration company or by any other means; in regard to a holding by a company - also by a subsidiary, and in regard to a holding by a person - a person together with family members residing with him or for whose support he is responsible shall be regarded as one person;

"Holding securities together with others" - the holding of securities in cooperation between two or more by agreement, whether written or oral;

"Transaction" - a sale, purchase, exchange, or subscription of a security or an undertaking in regard of any such act, whether the person performing the act does so for his own benefit or for the benefit of others, and whether the said person acts through an agent or trustee.

52B. The use of inside information

- (a) A person who does any of the following makes use of inside information:
 - (1) effects a transaction in a security of a company - other than a subsidiary or associate which has not issued securities to the public under a prospectus or the securities of which are not traded on a stock exchange - whilst in the possession of inside information;
 - (2) delivers inside information or an opinion on a security of a company, whilst in the possession of inside information, to any person whom he 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 shall pass it on to another.



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- (b) A corporation shall be regarded as having access to or 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 requirements are met:
- (1) The corporation has prescribed and adequately published provisions according to which -
 - (a) a director or employee engaged in effecting transactions in securities or in giving opinions or advice in regard to securities, shall not, on its behalf, perform a function involving access to inside information;
 - (b) a director or employee in the possession of inside information shall not, on behalf of the corporation, effect a transaction in the securities of the company to which the inside information relates, and shall not give an opinion or advice in regard to such securities;
 - (c) a director or employee referred to in subsection (b) shall not pass on inside information in his possession to any person whom he knows, or has reasonable grounds to assume, that will make use thereof for purposes of a transaction or for giving and opinion, or who will pass it on to another;
 - (d) a director or employee referred to in subsection (d) shall not pass on inside information to any other person, even if not mentioned in subsection (c), unless it is necessary to do so for purposes of discharging his 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 section 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 in the corporation, and internal control exists for purposes of ascertaining that such provisions are followed.

52C. The use of information by insider

An insider in a company who makes use of inside information shall be liable to 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 - 1977 (hereafter - The Penal Code).

52D Making use of information originating from an insider

Any person who makes use of inside information received by him, directly or indirectly, from a person whom he knows to be an insider in the company, shall be liable to imprisonment for one year or a fine equal to two times the fine stipulated in section 61(a)(4) of the Penal Code.

52E Presumption regarding the use of inside information

(Amended: 2007)



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- (a) Where a principal insider of a company purchases securities of the company in which he is a principal insider within three months from the day on which he sold securities of the said company, or sells securities of the said company within three months from the day on which he purchased securities of the said company, the same shall be prima facie evidence that he made use of inside information, unless he proves that he was not in the possession of inside information at the time of sale or purchase, or that in the circumstances of the case it is reasonable to assume that he was not in the possession of inside information at the time.
- (b) For purposes of this section, “*principle insider in a company*” -
- (1) A director, a general manager, a deputy general manager, an assistant general manager, an accountant, an internal controller and any person exercising the functions as aforesaid under a different title, and any person who is a substantial shareholder in the company;
 - (2) A relative 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

- (a) No information shall be regarded as inside information if a report thereon has been submitted to the ISA or the stock exchange and the ISA or the stock exchange has published the same, or the same has been published in some other manner customary for bringing information of this nature to the knowledge of the public, and one trading day has passed on the stock exchange after the date of publication as aforesaid; where the ISA or the stock exchange has not published the information within four days from the report of the same, the said information shall cease to be inside information at the expiration of that period.
- (b) The onus of proof that information has been submitted or published as aforesaid in subsection (a), lies upon the person so alleging.

52G. Defenses

(Amended: 2007)

- (a) A person shall not bear criminal responsibility or be liable under section 52H if he proves one of the following:
- (1) That the only purpose of the transaction effected by him was the acquisition of qualifying shares which, according to the articles of association of the company, a director must acquire as a prerequisite to his appointment;



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- (2) That the transaction effected by him was a bona fide act within the scope of his functions as a liquidator, receiver or trustee in bankruptcy, or for purposes of realizing assets provided as security for debts;
 - (3) That the transaction effected by him constitutes a bona fide implementation of an underwriting agreement;
 - (4) That the purpose of using the inside information was not, or was not mainly, the achievement of a profit or the avoidance of a loss to himself or to another;
 - (5) That the transaction in respect of securities of the company about which he had inside information was concluded by him as the agent of another, without exercising his discretion, or without submitting information or an opinion, likely to bring about the conclusion of the transaction;
 - (6) The transaction was effected by him outside the stock exchange with a person who likewise was in possession of the inside information;
 - (7) That the transaction was effected 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) That the purpose of the transaction is regulation of the price of the security in which the transaction was conducted and by a corporation which has laid down self provisions for purposes of said price regulation, and that said self provisions have been submitted to the ISA prior to the transaction, and that one of the following applies:
 - (a) The transaction was effected in accordance with the aforesaid provisions;
 - (b) the transaction was effected in response to a need for regulation under circumstances not provided for by a provision as aforesaid, provided that notice of the transaction was submitted to the ISA immediately upon its being effected, and a provision prescribing an identical mode of conduct under similar circumstances has been included in the provisions for future use.
 - (9) The transaction was justified under the circumstances of the case.
- (b) A corporation shall not bear criminal responsibility under this article, nor be liable under section 52(h), notwithstanding that 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 effected or the opinion given.



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52H Profit from use of inside information

- (a) Where a profit accrues to a person from a transaction effected by him or another whilst 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 under 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

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

- (a) In this section –

“Employee of a member of the stock exchange ” - a director or an employee of a member of the stock exchange, his spouse, any other relative dependent on him and a corporation controlled by any of these;

“Security” - a share or a security that can be realized or converted into a share listed on the stock exchange.

- (b) An employee of a member of a stock exchange shall not buy or sell a security save in the course of trading on the stock exchange, by means of written instructions submitted by him at least one day before the purchase or sale.
- (c) A stock exchange employee shall hold his securities in an account in his name with the stock exchange member.
- (d)
 - (1) Director or employee of a stock exchange member who effects transactions in securities on the behalf of others shall give written instructions referred to in subsection (b) solely through that member of the stock exchange; if the member of the stock exchange 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 stock exchange members shall submit all his instructions referred to in subsection (b) solely through the said member of the stock exchange; if that member of the stock exchange has more than one branch - the instructions shall be submitted solely through one branch in which the account of the said employee is held.
- (e) The Minister of Finance is authorized, after consultation with the ISA and with the approval of the Finance Committee of the Knesset, to 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, furthermore he is authorized to stipulate the meaning of the term “trade” for this purpose.



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52J. Validity of transaction

No transaction shall be invalid by reason only that it constitutes an offense under the provisions of this article.

**Chapter 8B:
Liability due to Violation of Provisions**

52K Liability of issuer

- (a) An issuer shall be liable towards a holder of securities issued by him for any harm caused to the said holder by virtue of the violation by the issuer of the provisions of this Law or Regulations hereunder, or of the provisions of a trust deed according to which liability rests with the issuer towards the trustee and the holders of certificates of indebtedness issued by the said issuer.
- (b) Liability under subsection (a) shall apply likewise to the directors of the issuer, its general manager, and the person holding a controlling interest in the same.

52L. Liability of a trustee

A trustee shall be liable to the holders of certificates of indebtedness for any harm caused to the said holders by virtue of the violation of any provision in Chapter Five “1” or Regulations there under or for the breach of any duty imposed on him by virtue of the trust deed.

52M. Release from liability

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

- (1) To any person who has proven that he has taken all appropriate measures to prevent the violation;
- (2) To a person who has proven that he had no knowledge of the violation, nor was he under an obligation to know nor had he any way of knowing of the same;
- (3) to a person in regard to whom it was proven that the said person acquired he securities of the issuer at a time when he knew or ought to have known of the violation.

52N Joint liability

Where two or more persons are liable under sections 52K and 52L, they are liable both jointly and individually for the damage, among themselves they share the responsibility under the rules of damage responsibility.



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**Chapter 9:
Penalties**

53 Contravention of provisions of this law

- (a) A person who does one of the following shall be liable to imprisonment for a term of three years or to a fine fourfold of the fine prescribed in section 61(a)(3) of the Penal Law - 1977 (hereafter - The Penal Code):
- (1) contravenes the provisions of section 15 with the intent of misleading a reasonable investor; for this purpose, any person offering securities to the public without a prospectus approved by the ISA, shall bear the onus of proof that he did not do so with the intent to mislead a reasonable investor;
 - (2) Contravenes the provisions of section 16(b) and does not prove that he did so without intent to mislead a reasonable investor;
(2a) caused a misleading detail to be included in information presented at a meeting under section 15A(a)(6), to mislead a reasonable employee.
 - (3) Gives an opinion, report or certificate which is subsequently included or referred to in a prospectus, with his prior consent, knowing that it contained a misleading item;
 - (4) Fails to comply with any provisions of section 35X, the provisions of section 36, the provisions of a directive of the ISA under section 36A., provisions applicable to him by virtue of section 36B or provisions of section 37, or any regulation under the said sections, or causes a report or notice or registration document under this Law or Regulations under the same to contain a misleading item, and all with the intention of misleading a reasonable investor; for this purpose, if a periodic report or interim financial report has not been submitted within two months from the final date provided for the submission of the same, or if an immediate report or notice has not been submitted within seven days from the final date provided for the submission of the same, or if the same has not been submitted in accordance with a directive of the ISA, it shall be prima facie evidence that the person upon whom the duty to submit such report or notice refrained from so doing with the intent to mislead.
- (b) A person who does one of the following shall be liable to imprisonment for a term of one year or to a fine threefold the fine prescribed in section 61(a)(2) of the Penal Code:
- (1) contravenes the provisions of section 13;
 - (2) Fails to comply with the provisions of section 16(a) or section 18(a) or regulations under section 35B(a);
 - (3) Fails to comply with the provisions of section 25(d);



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- (4) Fails to comply with directions of the ISA under section 25(a) or 25A(b);
 - (5) Fails to comply with the provisions of section 35B(a) or 35J;
 - (6) Issued securities without complying with the provisions of section 39(a);
 - (7) Contravenes the provisions of section 45(a);
 - (8) Contravenes the provisions of section 52I(b);
 - (9) Fails to comply with the provisions of section 52I(c) or (d);
 - (10) Fails to comply with an order under section 56A(a) or 56C(a) within the prescribed period;
 - (11) Contravenes the provisions of section 56E;
- (b1) A person who does one of the following shall be liable to imprisonment for a term of six months:
- (1) contravenes the provisions of section 10A;
 - (2) Contravenes any special restriction by virtue of section 10B;
 - (3) Contravenes any term applied by virtue of sections 10A or 10C.
- (c) Any person who does one of the following shall be liable to a fine threefold the fine prescribed in section 61(a)(1) of the Penal Code:
- (1) Fails to comply with the provisions of section 5 or 10(b);
 - (1A) fails to comply with the provisions of section 17(c);
 - (2) Publishes a prospectus without fulfilling the requirements of sections 22 and 23, or publishes a registration document not in accordance with the provisions of section 35B(b);
 - (3) Fails to comply with the provisions of section 23(c) or section 35V(a) or directives of the ISA under section 23(d) or any rules under section 35V(c);
 - (4) Accepts orders otherwise than in accordance with section 24(c) or 25(c);
 - (5) Fails to comply with the provisions of section 26(b) or (c) or section 27(a) or (b)(3);
 - (6) Fails to comply with the provisions of section 28(a) or (b) or Section 30;
 - (7) Fails to comply with the provisions of Regulations under section 35D(b);
 - (7A) did not comply with the provisions of section 35W;
 - (8) Fails to comply with the provisions of sections 36, 36B or 37 or Regulations there under, or order or directive by the ISA under section 36A;
 - (9) if he is an issuer or corporation — fails to comply with the provisions of section 44;
 - (10) Fails to comply with the provisions of section 49;
 - (11) Fails to comply with the provisions of section 51(c).
- (d) In the event of a continuing contravention of the provisions of sections 36, 36B or 37 or Regulations there under, or of an order or directive of the ISA under sections 35X and 36A or regulations under section 35AE., the



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court may impose an additional fine, equal to one fiftieth of the fine which it is empowered to impose, for each day of the continuous contravention.

- (e) Where any offense specified in this section is committed by a corporation, the directors and the general manager of that corporation shall likewise be criminally liable, unless they can prove one of the following:
 - (1) That he knew not nor was he under any obligation to know of the offense or that he had no way of knowing of the same;
 - (2) That he took all reasonable measures to prevent the offense.

54. Fraud in connection with securities

(Amendment: 2007)

- (a) A person who does one of the following shall be liable to imprisonment for a term of five years or to a fine fivefold the fine prescribed in section 61(a)(4) of the Penal Law:
 - (1) induces or attempts to induce a person to acquire or sell securities by way of statement, promise or forecast - written, oral or otherwise - which he knows or ought to have known to be false or misleading, or by concealing material facts;
 - (2) Fraudulently influences the fluctuation of the price of securities.
- (b) In this section, “*securities*” within the definition thereof under section 52.

Chapter 9A — Repealed

Chapter 9B: Cooperation with a Foreign Authority

54K1 Definitions

(Amended: 2006)

- (a) In this article -

“**Foreign Authority**” – an entity charged with implementing and enforcing 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, seizure of documents, the conducting of an investigation and delivery of information and documents for the purposes of administering and implementing securities laws in a foreign country;



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

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

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

54K2. Approval of Request for Assistance

(Amended: 5766 - 2006)

If the Chairman of the ISA is of the opinion that all of the following have been complied with:

- (1) The Foreign Authority has submitted a Request for Assistance in accordance with the regulations under section 54K7;
- (2) The subject of the Request might be a breach of securities law that the petitioning Foreign Authority is charged with implementing and enforcing;
- (3) The provisions of this article and the Memorandum of Understanding have been complied with; he may proclaim that the provisions of the article shall apply to the said Request for Assistance.

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 Authorization to perform acts of assistance

(Amended: 5766 - 2006)

- (a) In order to ensure provision of Assistance to a Foreign Authority, a person designated in writing by the Chairman of the ISA, may use authority under sections 56A through 56C, mutatis mutandis. Nevertheless the authority stipulated in section 56B, may be exercised only in cases in which the subject of the Request is apt to be a matter for a criminal investigation under the Israeli securities law.
- (b) The provisions of section 56(e) shall apply, mutatis mutandis, to any document reaching the hands of a person so authorized under subsection (a).
- (c) If the Chairman of the ISA has proclaimed that the provisions of this article is applicable to a Request for Assistance, he may instruct the person designated under subsection (a) that statements be taken in accordance with the rules of



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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

- (a) If the Chairman of the ISA has proclaimed as aforesaid in section 54K2, and the requested information or document is in the possession of the ISA, a person so designated in writing by the Chairman of the ISA may transfer the said information or document to the Foreign Authority or a certified copy or certified photocopy of the same.
- (b) A person so designated by the Chairman of the ISA in accordance with section 54K4F may transfer to a foreign authority any information or document which has come into his possession as a result of the said authorization or certified copy or certified photocopy of the same.
- (c) No information, document or copy as aforesaid in subsections (a) and (b) shall be transferred unless the Chairman of the ISA is satisfied that they shall be used exclusively for the purpose for which they were transferred.
- (d) Notwithstanding the provisions of this section, any document or certified copy or certified photocopy thereof pertaining to the business of a bank corporation or an insurer, and which is not a public document, shall not be transferred to a Foreign Authority save with the consent of the Controller of the Banks or the Controller of the Insurance Companies, as the case may be;

In this subsection -

“*Bank Corporation*” - as defined in the Banking (Licensing) Law, 5741- 1981, with the exception of a joint service company;

“*Insurer*” - as defined in the Supervision of Insurance Business Law, 5741-1981.

54K6. Reciprocity

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

54K7. Regulations

The Minister of Justice may enact regulations -

- (1) For purposes of implementing this article, including matters pertaining to the procedure and handling of requests for assistance to a Foreign Authority;
- (2) For purposes of implementing the Memorandum of Understanding.



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54K8. Effect of regulations

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

- (1) The delivery, proof, verification and authentication 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 Restriction on information And documentation transfer

(Amended: 5766 - 2006)

- (a) Notwithstanding any other provision of law, the ISA is entitled to withhold from transferring to a third party any information or documentation submitted to it by a Foreign Authority of received, collected or created as a result of a Request for Assistance or a request for information or documentation submitted by a Foreign Authority, including the request itself; nothing in this provision shall be construed as preventing disclosure upon demand of the Attorney General for purposes of a criminal prosecution or upon demand of the court.
- (b) In this section "*Foreign Authority*" – an entity charged with implementing and enforcing the Securities Law in a foreign country, even if it has not signed a Memorandum of Understanding with the ISA.

**Chapter 10:
Miscellaneous Provisions**

54L. Exemption

- (a) The Minister of Finance may, with the approval of the Finance Committee of the Knesset, order that the provisions of this Law or Regulations hereunder, wholly or in part, 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, shall contain the terms and terms 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 a particular class of securities of the Jewish Agency.
- (c) In this section -



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“**The Jewish Agency**” - The Zionist Executive and the Executive of the Jewish Agency as defined in Law of Status of the World Zionist Organization — The Jewish Agency - 1952, including Keren Hayesod - The United Israel Appeal;

“**Securities of the Jewish Agency**” -

- (1) Certificates issued in series by the Jewish Agency and conferring a claim against it;
- (2) certificates issued with the consent of the Jewish Agency conferring 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 Finance Committee of the Knesset.

55. Transitional provisions

- Repealed.

55A. Fees

The Minister of Finance, after consultation with the ISA and with the approval of the Finance Committee of the Knesset, 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 of payment of fees, and provisions for the application of the Tax Ordinance (Collection) for purposes of enforcing payment of fees, linkage differentials and fines.

56. Implementation and regulations

- (a) The Minister of Finance is charged with the implementation of this Law, and he may, in consultation with the ISA, make regulations as to any matter relating to such implementation, save as otherwise provided in this Law.
- (b) The Minister of Justice may make procedural regulations for the purposes of sections 14A, 35N(g), 36C(b), 38, 47 and 56A.
- (c) The Minister of Finance shall, in accordance with the proposal of the ISA, in consultation with the Minister of Justice and with the approval of the Finance Committee of the Knesset, make regulations in regard to a person who has pledged to purchase securities offered under a prospectus in the event that the same are not purchased by the public, in respect to –
 - (1) Terms of eligibility;
 - (2) Minimum share capital or professional liability insurance;
 - (3) Reports to be submitted;



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- (4) Restrictions regarding conflict of interests between him and any person who has acquired, through him or by himself or upon his recommendation, securities offered by the said prospectus;
 - (5) Other matters pertaining to the business of such person.
- (d) The Minister of Finance shall, in accordance with the proposal of the ISA, in consultation with the Minister of Justice and with the approval of the Finance Committee of the Knesset, enact regulations in regard to:
- (1) Tender offers for the securities of a registered company;
 - (2) The disclosure of details required in the matter of private placements, including the powers of the ISA in regard to the said disclosure;
 - (3) The disclosure of details required in regard to an action or transaction of a company, the sanction of which is required according to sections 275 or 320(c) of the Companies Law, 1999, or the powers of the ISA in regard to the same.

56A. Power to demand information and documents

- (a) In order to secure implementation of this Law and the Joint Investments Trust Law, or in the event where a suspicion of a violation thereof has arisen, the Chairman of the ISA or a person designated by him in writing may demand from any person any information or document pertaining to a corporation which is subject to one of the above Laws, including any report, books, account certificate or any other document pertaining to their business.
- (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 in a case in which the said document is apt to be used as evidence; a Magistrate Court judge may, upon application by the ISA or by representative of the Attorney-General, and after having granted the person from whom the document was obtained ample opportunity to be heard, extend the aforesaid period under the terms which shall be prescribed.

56B. Warrant for search and seizure

- (a) In the event that a suspicion has arisen as to a violation of this Law or the Joint Investments Trust law, a person designated by the Chairman of the ISA in writing may apply to a Magistrate Court judge for a warrant to enter any premises, search them and seize any document.
- (b) The provisions of sections 24 and 26 through 29 of the Criminal Procedure (Arrest and Search) Ordinance [New Version] - 1969 shall apply to a search under this section.



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- (c) The provisions of section 56A (b) shall apply to a document seized according to the provisions of this section.

56C. Powers to investigate

- (a) In the event that a suspicion has arisen as to a violation of this Law or the Joint Investments Trust Law, a person designated by the Chairman of the ISA in writing may interrogate any person who, in his opinion, is connected to the issue, and to order any such person to appear before him and submit to him any item and information relating to the said violation.
- (b) A person so designated for purposes of subsection (a) shall have the same powers as a policeman of the rank of inspector under section 2 of the Criminal Procedure Ordinance (Testimony), and section 3 of the said Ordinance shall apply to a statement recorded by said person.

56D. Injunction and temporary restraining order

If the Chairman of the ISA has reasonable grounds to assume that a violation of this Law or the Joint Investments Trust Law, or any regulations hereunder, is being committed, or that an offense is about to be committed, he may apply to the District Court for an order enjoining the committing of the said offense or the continuation of the acts which are the subject of the said application.

56E. Confidentiality

A person so designated under sections 56A, 56B, 56C or 56F shall not reveal the contents of any information or document coming into his possession by virtue of his position saves for purposes of investigation or to the Chairman of the ISA or to an employee of the ISA by directive of 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.

56F. Inspection

If the ISA is of the opinion that for purposes of protecting the interests of the investing public it is feasible to conduct an inspection of a corporation 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 inspection 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 Supervision of Insurance Business Law, 5741-1981.



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56G. Taxes and civil damages

[Amended: 2004(2)]

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

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

57. Amendment of the Companies Ordinance

(Repealed).

58. Application

(Amended: 1969)

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).

59. Qualification to application

(Amended: 5729 - 1969)

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.

First Schedule

(Section 15A (b)(1))

[Amended: 2000, 2005]

Investor – for the purpose of section 15A (b)(1) is every one of the following:

- (1) Mutual Trust Fund, as defined under the Joint Investment Trust Law, 5754-1994, or a Mutual Trust Fund managing company, as aforesaid;
- (2) Provident Fund or its managing company, as defined under the Regulation of Financial Services Law (Provident Funds), 5765-2005
- (3) Insurer, as defined under the Law on the Supervision of Insurance Business Law, 5741-1981;
- (4) Banking Corporation and subsidiary corporation, as defined under Banking (Licensing) Law, 5741-1981; with the exception of mutual service companies, which purchase for themselves or their clients that are listed under section 15A(b)
- (5) Portfolio Manager, as defined under section 8(b) of the Regulation of Investment Advice, Investment Marketing and Investment Portfolio



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Management Law, 5755-1995 who purchases for himself or for clients who are investors that are listed in section 15A(b);

(6) An investment advisor within the meaning thereof in the Regulation of Investment Advice and Portfolio Management Law, 5755-1995, who purchases for himself;

- (7) A member of the stock exchange purchasing for himself or for clients who are investors that are listed in section 15A(b);
- (8) An underwriter who complies with the qualifications prescribed in section 56(c) purchasing for his himself;
- (9) A venture capital fund; for this purpose, "venture capital fund" – a corporation whose main business is investing in corporations, and which, at the time of making the investment, was mainly engaged in research and development or the manufacture of innovative and high-tech products or processes, where the risk of investment is higher than what is customary for other investments;
- (10) A corporation whose main business is in the field of the capital market 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 purchasing securities in a specific offer, whose equity exceeds 250 million new shekels; in this section, "equity" - including under foreign accounting rules, international accounting standards and accepted accounting rules in the United States, as defined in the Securities (Preparation of Annual Financial Statements), 5753-1993.

Second Schedule

(Section 1)

Foreign stock exchange as

1. New York Stock Exchange (NYSE)
2. American Stock Exchange (AMEX)
3. National Association of Securities Dealers Automated Quotation — National Market (NASDAQ-NM)

Third Schedule

(Section 1)

(Foreign stock exchange as determined by the Minister of Finance)

Foreign Stock Exchanges relevant to section **35R** of the Law:

- (1) National Association of Securities Dealers Automated – "SC" stock exchange
- (2) London Stock Exchange's Main Market (Official list of the UK Listing Authority), Primary Listing – the "London Stock Exchange"



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Fourth Schedule

(Section 39A)

[Amended: 5765 - 2005]

Application of Regulations to a Company incorporated in a Foreign Country that offers its Shares to the Public in Israel

	Companies Law	Regulations according to this Law
1. Voting Statements	- sections 87, 89	
2. Chairman of the Board of Directors and CEO	- sections 95, 212(c)	
3. Auditing Committee	- sections 114 – 117	
4. In-house Auditor	- sections 146 – 153	
5. Right of a shareholder for information and scrutinizing	- sections 184, 185	
6. Class and derivative action	- sections 194 – 218	
7. External Director	- sections 239 – 249A	
8. Obligations of Company Officials	- sections 252 - 256	
9. Transaction with Controlling Securities Shareholder	- sections 270(4), 257 – 282	Law Rules, (Transaction between a company and its Controlling Shareholder)
10. Purchase offers	- sections 328 – 340, 342	Securities Law Regulations (Purchase Offers, 2005)