



---

## Securities Law Regulations (Offer of Securities to the public) 2007

The following translation is intended solely for the convenience of the reader. This translation has no legal status and although every effort has been made to ensure its accuracy, the Authority does not assume any responsibility whatsoever as to its accuracy and is not bound by its contents. Only the original Hebrew text is binding and reader is advised to consult the authoritative Hebrew text in all matters which may affect

### **Securities Law Regulations (Offer of Securities to the Public) 2007**

By virtue of my authority under section 17A and 17C of the Securities Law 1968, (hereafter the Law), in accordance with a proposal of the ISA and with the approval of the Finance Committee of the Knesset, I enact the following regulations:

#### **Chapter A: Interpretation**

##### **1. Definitions in these regulations:**

**"Related party"** – within the meaning thereof under the Securities Law (Underwriting), 2007;

**"Temporary provisions"** - within the meaning thereof under section 46A of the Law;

**"Institutional investor"** - each one of the following:

- 1) Investor listed under clauses (1) to (3) or (11) of First Schedule of the Law, purchasing for himself;
- 2) A banking corporation and an auxiliary corporation within the meaning thereof under the Banking Law (Licensing) 1981, with the exclusion of a mutual service company, purchasing for themselves;
- 3) A portfolio manager making purchases for clients defined under clauses (1), (2) or (4)
- 4) A foreign corporation which is similar in its characteristics to investors defined under clauses (1) or (2);

**"Sophisticated investor"** – investor as defined under section 15A(b)(1) or (2) of the Law;

**"TASE Rules & Regulations"** - within the meaning thereof under section 46 of the Law

#### **Chapter B: Uniform Offer**

##### **2. Definitions in this chapter:**

**"Amount left for distribution"** – amount of securities offered in the prospectus, after deduction of securities for which orders were placed at a price higher than the one in the uniform offer;



---

## Securities Law Regulations (Offer of Securities to the public) 2007

**"Oversubscription"** – the ratio between the amounts of securities for which orders were placed at the price of a uniform offer and the amount left for distribution, providing it is more than one;

**"Sale price in a uniform offer"** – the highest price at which orders were placed for purchase of all securities offered in the prospectus or prices that were higher than the prospectus prices; if the amount of securities for which orders were placed is smaller than the amount offered in the prospectus – the minimal price stipulated in the offer;

### 3. Uniform Offer

A uniform offer shall be done according to the regulations of this chapter.

### 4. Early commitment

In the uniform offer, prior to the publication of a prospectus, the offeror or the underwriter are authorized to accept a commitment from a sophisticated investor to place an order for the purchase of securities offered in the prospectus (henceforth – early commitment), and to pay for it, by means of commission, providing all of the following transpires:

- 1) The sophisticated investor will commit himself to purchasing securities in the amount of at least 800,000 NIS, and in the R&D company, within the meaning thereof under the TASE Rules & Regulations as defined in section 46(d) of the Law - in the amount of at least 400,000 NIS;
- 2) The classified investor shall stipulate the minimal price at which he is obligated to place a purchase offer of securities; the price might be uniform for all securities for which an early commitment was given or it might differ for each amount of securities included in the early commitment, providing the investor does not offer more than three different prices;
- 3) The commission paid shall be of a reasonable amount, accepted by and identical to all sophisticated investors;
- 4) The sum total of all early commitments by sophisticated investors shall not exceed the rates detailed below for all securities offered in the prospectus:
  - (a) the value of offered securities is not above 25 million NIS - 0%
  - (b) the value of offered securities is above 25 million NIS but is not above 200 million NIS - 80%
  - (c) for each additional NIS, above 200 million and up to 600 million – 90%
  - (d) for each additional NIS – 95%



---

## Securities Law Regulations (Offer of Securities to the public) 2007

In this clause "**value of offered securities**" – multiplication of the minimal price stipulated in the offer by a number of securities offered in the prospectus;

- 5) The acceptance of an early commitment by the offeror or by an underwriter, shall be done according to the provisions under section &(a) and (b), with required changes, even if, as a result, the early commitment of the investor will grow smaller than the sum stipulated in clause (1);
- 6) The underwriter shall not place orders for himself as part of the public offer, but only as part of the aforesaid early commitment.

### **5. Allocation for a sophisticated investor within the issue**

In case of oversubscription, the allocation for a sophisticated investor according to his early commitment shall be done as follows:

- 1) If the oversubscription did not exceed 5%, each sophisticated investor shall be allocated 100% of his early commitment amount; if the oversubscription did exceed 5%, each sophisticated investor shall be allocated 50% of his early commitment amount;
- 2) If the amount of the remaining securities is not sufficient for allocation according to clause (1), the remaining amount shall be allocated to sophisticated investors relative to their early commitments of the same price.

### **6. Placing order for securities**

Under a uniform offer a procurer is entitled to place orders at various prices, providing he does not exceed more than three price offers.

### **7. Allocation of securities in a uniform offer**

- (a) Procurers of securities at a price higher than the sale price in a uniform offer shall be allocated the full amount ordered;
- (b) Procurers of securities at a price equal to the nominal price in a uniform offer shall be allocated securities according to the relative allocation of total orders placed at the same price;
- (c) Notwithstanding the aforesaid under clause (a) and (b), in case minimal dispersion of securities to the public, within the meaning thereof under the TASE Rules & Regulations, is not achieved and if the allocation according to clauses (a) and (b) is carried out – the purchasers of securities at the price equal to the price in a uniform offer or at a higher price shall be allocated securities relative to the allocation of each order



---

## Securities Law Regulations (Offer of Securities to the public) 2007

within the sum total of placed orders; the aforesaid way of allocation shall be detailed in the prospectus.

- (d) If the minimal dispersion of securities to the public, within the meaning thereof under clauses (a) to (c), is not achieved, a price lower than the one set in the uniform offer can be stipulated, which is the highest price at which the aforesaid minimal dispersion shall be achieved, providing no preference will be given to allocations of purchasers placing orders at a certain price prima facie other purchasers placing orders at a higher price; the criteria for the aforesaid allocation shall be detailed in the prospectus.

### 8. Additional Allocation of securities for a sophisticated investor

In a uniform offer the offeror is allowed to allocate additional amount of securities, until the end of the first business day following the allocation to the public and no later than the date of registering the offered securities for trade, to sophisticated investors with an early commitment, allocation which will not exceed 15% of the amount offered in the prospectus, providing all of the following transpires:

- 1) the criteria for additional allocations shall be stipulated in the prospectus;
- 2) additional allocations shall be carried out according to one of the following criteria:
  - (a) each sophisticated investor who submitted an early commitment, shall be allocated securities according to his relative part in the allocation for completing the commitment within the sum total of all additional allocations submitted; in this regulation "**allocation for completing the commitment**" – amount of securities for which an early commitment was given at a sale price stipulated in the uniform offer or at a price stipulated under section 7(d), accordingly, or at a higher price subsequent to the deduction of securities allocated under the aforementioned early commitment;
  - (b) each sophisticated investor who submitted an early commitment at the highest price, shall be allocated a full amount for completing his commitment, then – a sophisticated investor who submitted an early commitment at the next highest price, and so forth until the end of additional allocation; where more than one sophisticated investor submitted an early commitment at the same price, the allocation shall be carried out according to the provisions of clause (a);
  - (c) each sophisticated investor who submitted an early commitment, shall be allocated securities according to the relative part of his commitment out of all commitments submitted;
- 3) additional allocation shall be made of securities or units - of composition identical to that of securities, or from units for which an early commitment was given;




---

## Securities Law Regulations (Offer of Securities to the public) 2007

- 4) additional allocation shall be made at the same price at which securities were allocated to the public;
- 5) sophisticated investor shall not be allocated securities in the amount higher than the amount stipulated in the early commitment submitted by him;
- 6) where a sophisticated investor did not place an order for securities for which he is entitled under these regulations, the amount he is entitled to shall be allocated to other sophisticated investors according to the provisions of this regulation.

### **9. Additional Allocation of securities for the general public**

Further to provisions of section 8, in an oversubscribed uniform offer, the offeror is authorized to allocate additional amount of securities, which will not exceed 15% of the amount offered in the prospectus, to all purchasers which submitted orders at a sale price of a uniform offer or at the price stipulated under section 7(d), accordingly; the allocation shall be carried out in accordance with the regulations under section 7, with required changes.

### **10. Classification of maximal price application**

The prohibition on stipulating the maximal price for securities offered to the public shall not apply to:

- (1) Offer of securities by means of rights
- (2) Offer of securities to employees only or to that part of the offer intended for employees only
- (3) Offer of ILN, commodity certificates, short sale certificates, cover options, assembled notes and other indexed products, within the meaning thereof under the TASE Rules & Regulations or temporary provisions.

## **Chapter C: Non-uniform offers**

### **11. Non-uniform offer**

- (a) Securities can be offered by means of a non-uniform offer (in these regulations – non-uniform offer) by referring to one of the following"
  - (1) All of the following:
    - (a) a fully underwritten offer
    - (b) the purchasers are institutional investors, however up to 30% of the issue can be sold to a non-institutional investor, providing the sale to a non-institutional investor shall be by means of a uniform offer, at a price at which the securities




---

Securities Law Regulations (Offer of Securities to the public) 2007

will be allocated to institutional investors and on the same day, and in the amount allocated to each non-institutional investor shall be according to the relative part of his order within sum total of all orders of non-institutional investors, whereas each investor can place one order only; where part of the offer is made in Israel and part in a foreign country – the aforementioned 30% shall be calculated from the whole issue;

- (c) in the part of the sale carried out according to a uniform order in accordance with this clause, the sum total of all securities ordered by a single purchaser shall not exceed the rates stipulated below:
- (1) when the value of securities offered in this part is less than 100 million NIS – 15% of the amount offered
  - (2) when the value of securities offered in this part is 100 million NIS or more – 25% of the amount offered
  - (3) the limitations stipulated in clauses (1) and (2) shall not apply to:
    - (a) the offer contains bonds only;
    - (b) the offer contains only bonds and options convertible into bonds;
    - (c) offer of securities of a company in the process of privatization, within the meaning thereof in the Government Companies Law, 1975;
    - (d) offer of a banking corporation's securities, whose securities are offered for sale to the public by the government of Israel;
    - (e) an offer containing commercial securities only;
    - (f) an offer containing securities listed under section 10(3) only;

whilst a prospectus contains a number of issue offers, the limitations stipulated under this clause shall apply to each one of the offers separately;

- (2) part of the offer intended for employees of the offeror only;
- (3) part of the offer intended for shareholders in another corporation indicated in the offer;
- (4) part of the offer that is an allocation or a transfer of




---

Securities Law Regulations (Offer of Securities to the public) 2007

- securities according to section 15A(a)(3) of the Law;
- (5) part of the offer that is an offer of securities by means of rights;  
in clauses (2) to (5), "part" – including everything
- (b) a non-uniform offer shall be offered by means of a uniformed price, within the meaning thereof in section 17A(a) of the Law (in this Chapter – sale price in a non-uniform offer), however:
- (1) offer according to clause (2) in sub-section (a) might be offered according to a non-uniformed price;
- (2) offer according to clauses (3) to (5) in sub-section (a), may be offered according to a non-uniformed price, providing the offer offered to all purchasers according to a particular clause shall be according to a uniformed price;

## 12. Over allocation in a non-uniform offer

As part of the underwriting agreement in a non-uniform offer, the offeror may grant the underwriter the right to purchase from the offeror, for a period of 30 days following the publication of a prospectus, an additional amount of securities in quantity not exceeding 15% of the amount offered according to the prospectus at a price identical to the sale price in a non-uniform offer, in order to sell them in the issue or in order to cover the underwriter's liability due to the short sale of securities in this issue; additional securities shall be allocated by the underwriter according to the provisions of section 11(a)(1)(b), including the matter pertaining to the maximal rates at which it is allowable to sell them to non-institutional investors.

## 13. Limitations on allocations to related institutional investors

In a non-uniform offer the amount allocated by the issuer or the distributor to all institutional investors listed in his group or whose investments are under his group's management, shall not exceed 5% of the amount sold in the offer, including the additional amount according to section 12; where the value of all public assets held by institutional investors, is managed by the underwriter's or distributor's group, accordingly, exceeds 10 billion NIS – the amount allocated to them shall not exceed 10% of the total quantity sold; for the purpose of this regulation:

**"underwriter's group"** – the underwriter or a party related to it, as well as whoever holds 20% or more one of them, or one of them holds 20% or more in another;

**"distributor's group"** - the distributor or a party related to it, as well as whoever holds 20% or more one of them, or one of them holds 20% or more in another;



---

Securities Law Regulations (Offer of Securities to the public) 2007

#### **14. Limitations on allocations in a non-uniform offer**

If the underwriter of securities purchased securities in a non-uniform offer in order to sell it to the public, no securities offered according to a prospectus shall remain in his possession at the end of the first day of trading in aforesaid securities, providing the price of securities on the stock exchange – at the beginning and at the end of that day – went up by more than 5% relative to the sale price in a non-uniform offer.

### **Chapter D: General**

#### **15. Indexing and rounding off the sums:**

- (a) the sums stipulated in section 4(1) and (4), 11(a)(1)(c) shall be adjusted on January 1, every year (henceforth – date of adjustment), according to the fluctuation rate of the new index relative to the base index; the adjusted sum shall be rounded to the sum closest to multiplication of 1,000 NIS; for this purpose –  
"new index" – the last index published before the date of adjustment  
"base index" - the last index published before the previous date of adjustment and on the first declaration date - the last index published before the application of these regulations.
- (b) The ISA Chairman shall publish the sums stipulated under subsection (a) of the Offer of Securities Regulations, as adjusted according to the aforesaid. The notice will be published in the "Notes".

#### **16 Effective date**

The effective date of these regulations is on July 1, 2007 (henceforth – effective date) and the validity of regulations 11 to 14 – is for a period of 2 years from the effective date.

February 27, 2007

Avraam Hirshzon  
Minister of Finance