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ISRAEL SECURITIES AUTHORITY

Committee for the formulation of ethical guide lines regarding information dissemination, related to Securities, on the Internet.

REPORT

To: Mr. Moshe Terry
Chairman of the
Israel Securities Authority

June 30, 2005

Dear Mr. Terry

We hereby present you with the report of the committee appointed by you for the formulation of ethical guidelines regarding information dissemination, related to Securities, on the Internet.

The committee was appointed by you on May 26, 2003. The letter of appointment appears in Appendix 1.

Prof. Shifra Brohson has retired from the committee for personal reasons, shortly after it began its work.

The committee had established a working procedure:

First, it formulated a number of questions that were essential for drafting responsible guidelines.

The list of questions appears in Appendix 2.

Second, the committee had invited experts from various fields, to appear before it and to voice their opinion in regard to questions which this committee had to address. The invited guests came from the stock exchange, the academic field and from the Internet field of expertise.

The list of experts and their roles appears in Appendix 3.

The statements made by the experts appear in the protocols of committee discussions, Appendix 4.

Third, the committee held inner discussions as part of its attempt to formulate an answer to every question that appeared in its protocol. These discussions are documented in protocols that appear in Appendix 4. The abstract of the answers, to

the questions addressed by this committee, appears in Appendix 5. Objections, voiced by the committee members, appear in Appendix 5A and 5B.

Finally - the committee had debated the draft of this report, based on the essence of the answers it received. The debate was conducted by means of meeting sessions and via e-mail correspondence. During these discussions, each committee member had a chance to state his or her opinion, regarding the topics debated. All opinions were raised both freely and frequently.

Various materials were presented to the committee, by its members, in order to help it formulate its recommendations. Appendix 6 contains only those materials which the members had explicitly asked to include.

Based on all of the above the committee had reached the conclusions presented to you in this report.

We would like to take this opportunity to thank all those working for the Securities Authority, who had extended their help to this committee and did it diligently, efficiently and in good spirit.

We sincerely hope that recommendations made by this committee will contribute to the effort to achieve proper regularization of ethical rules regarding information dissemination, related to Securities, on the Internet.

Signed by

Mr. Eitan Avriel	Dr. Naama Karmi
Mr. Aviv Ayalon Attorney at Law	Dr. Yotam Lurie
Mr. Ziv Segal	Dr. Aviva Geva
Mr. Haim Ravia Attorney at LAW	Dr. Menahem Dolinsky
Mr. Baruch Hinoh	Prof, Assa Kasher <i>Chairman</i>

Recommendations

Definitions

Relevant Internet Site: an internet site that regularly publishes information regarding securities traded on the Israeli stock exchange or regarding companies directly related to such securities or regarding the Israeli stock exchange itself, whether it is the sole or partial content of the site.

Desirable state 2005 : a situation whereby every Relevant Internet Site displays on its Home page, in a clear and prominent manner, its ethical profile (as will be stipulated below), or a link to such an ethical profile and acts in accordance with it in all site activities.

Ethical Profile of a Site: a list of answers to questions regarding the site's security arrangements and certain ethical aspects of information dissemination related to Securities. The list is published on the site itself, on behalf of the editorial board, signed by a person identified by his full name and official position on the editorial board.

Recommended Ethical Profile: is a list of answers to the following questions. By general consent, in some of the questions the proposed answers are rated on the ethical scale from (1) to (5), (1 is the lowest level, 5 - the highest). In regard to some questions, there might be a disagreement regarding the interpretation of answers proposed on this scale. The ethical profile can take a stand in regard to these questions or may choose to avoid taking it.

1. **ID of the Editorial Board:** to what extent are the names and e-mail addresses of site owners, editors and writers are displayed on the site in a clear and prominent manner?
 - (1) There are no details or e-mail addresses regarding site owners, editors and writers.
 - (2) There is an editorial address only, published on the site
 - (3) The site usually lists the names of the writes writing editorials
 - (4) The site usually lists the names of all editors and writes writing for it
 - (5) The site publishes, in a clear and prominent manner, the names and e-mail addresses of site owners, editors and writers writing for it

2. **Transparency of the Editorial Board:** to what extent an affinity between owners, editors and writers and the material they publish is presented on the site, every time such affinity exists?
 - (1) Generally, the affinity between owners, editors, writers and the material they publish is not presented on the site
 - (2) Only in radical cases the affiliation between owners, editors and writers and the material they publish is presented
 - (3) Decision on publication of affiliation is given to the editors / writers consideration
 - (4) Generally, the affinity between owners, editors, writers and the material they publish is presented on the site

- (5) Any affiliation between owners, editors, writers and the material they publish is presented on the site next to the publication.
3. Principal Parties on the Editorial Board: to what extent are the owners, editors and writers prevented from being personally involved with particular securities, in accordance with the site's policy
- (1) owners, editors and writers are not prevented from being personally involved with securities
 - (2) Writers only are prevented from being personally involved with securities. Owners and editors are not prevented.
 - (3) Writers and editors only are prevented from being personally involved with securities. Owners are not prevented.
 - (4) Generally, owners, editors and writers are prevented from being personally involved with securities
 - (5) Owners, editors and writers are always prevented from being personally involved with securities
4. Funneling of the editorial subjects: to what extent does the site present, in a clear and accessible manner, its policy regarding the materials it publishes.
- (1) the site has no policy regarding the materials it publishes
 - (2) the site does not publish details regarding the policy related to the materials it publishes.
 - (3) The site publishes few details regarding the policy related to the materials it publishes.
 - (4) The site publishes general guide lines regarding the policy related to the materials it publishes.
 - (5) The site publishes a full account of its policy regarding the materials it publishes.
5. Site's responsibility to its guest writers: to what extent is the site responsible for the material it publishes if that material was written by invited guests, (such as guest analysts in contrast to forum users).
- (1) the Editorial Board is not responsible for this type of material published on the site
 - (2) the Editorial Board is responsible for part of the materials it publishes and is marking it as such.
 - (3) The Editorial Board is responsible for most of the material it publishes and is marking it as such
 - (4) The Editorial Board is responsible for all the material it publishes with the exception of those materials that are marked
 - (5) The Editorial Board is responsible for all the material published on the site
6. Identification of the editorial material: to what extent is the text, published on behalf of the editorial board, clearly discernable from other texts
- (1) the texts published on behalf of the editorial board are not discernable from other material
 - (2) in special cases the editorial material is marked as such
 - (3) part of the editorial material is marked as such

- (4) generally all editorial material is marked as such
- (5) all editorial materials are marked as such

7. Censure readiness of the site: to what extent does the site operate an immediate and precise control mechanism which promptly erases, fully or in part, all material that originated outside the site, when there is a real suspicion of false information dissemination, over and above the requirement of the law?

- (1) the site does not operate censure readiness system against material that originated outside the site
- (1) the site erases material that originated outside the site, only on the bases of court order
- (2) the site erases material that originated outside the site on the bases of a lawyers request
- (3) the site erases material that originated outside the site on the bases of a well grounded request
- (4) the site erases material that originated outside the site also on the bases of the site's censure readiness control mechanism.

8. Censure of offences on the site: to what extent does the site operate an immediate and precise control mechanism which promptly erases, fully or in part, all material that originated outside the site, when there is a real suspicion that publication of this material is an infraction of the Securities law, over and above the requirement of the law?

- (1) the site does not operate censure readiness system against law infractions in regard to materials that originated outside the site
- (2) the site erases material that originated outside the site, only on the bases of court order
- (3) the site erases material that originated outside the site on the bases of a lawyers request
- (4) the site erases material that originated outside the site on the bases of a well grounded request
- (5) the site erases material that originated outside the site also on the bases of the site's infractions control mechanism.

9. Anonymity of the site: to what extent does the infractions control mechanism allow the site to develop various Forums, open to the general public, and distinct from one another by the degree of caution required from the user?

- (1) the site operates forums where participants may remain absolutely anonymous
- (2) the site operate forums on several level of anonymity, but without identification
- (3) the site operates forums on several levels of anonymity, including identification in front of the system but not necessarily in front of other forum participants
- (4) the site operates forums that require a form of controlled ID as well as absolutely anonymous forums

- (5) the site operates a wide range of forums at varying levels of anonymity, from a controlled ID forum to an absolutely anonymous one.

10. Site's resendency: to what extent does the site encourage public response to its publications?

- (1) site editors do not allow public participation and reaction
- (2) site editors allow, but do not encourage, public's participation and reaction
- (3) site editors encourage responsible public participation and reaction
- (4) site editors encourage general public's participation in reacting to false information publishing and securities law infractions
- (5) site editors encourage general public's participation and reaction as part of the site's control mechanism, in regard to false information publishing and securities law infractions

11. Site's openness: to what extent does the site's policy allow general public to express itself, without prior approval of the content submitted for publication?

- (1) site editors allow general public to express itself without prior approval or later screening of the content
site editors allow general public to express itself without prior approval, but with a later option of screening – based on complaints
- (2) site editors allow general public to express itself with prior consent based on a random check, while reserving a right for early screening on the bases of complaints.
- (3) site editors allow general public to express itself by obtaining prior consent, based on perfunctory examination, while reserving a right for early screening on the bases of complaints
- (4) site editors allow general public to express itself in different forums, starting with the forum that does not require consent and down to forums requiring prior consent based on content examination.

12. Additional trait of the site that the editors are interested in presenting within this profile description.

For example:

Stability of the site: to what extent are the site editors interested in sustaining a permanent advertising framework of materials produced by the editorial board as far as substance, form and style are concerned.

The Committee Recommends:

- A.** The Committee shall be permitted to send its recommendations to various institutions that come into contact with the relevant Internet sites and by doing so will encourage them to take steps that will lead to the *Desirable state 2005*; whereby every relevant internet site will publish its ethical profile, which will include the proposed main profile and an applicable secondary profile.
- B.** The Committee shall be permitted to send its recommendations to every relevant Internet site and will encourage its editorial board to publish its ethical profile, according to the aforesaid standard.
- C.** Israel Securities Authority (ISA) shall publish both parts of these recommendations, regarding the ethical profile, on its Internet site.
- D.** The Committee shall be allowed to recommend appropriate institutions to create, in cooperation with relevant Internet sites, a list of relevant Internet sites that have consented to the committee's advice to use the proposed ethic profile as well as their individual profile (henceforth – "the list").
- E.** The committee shall be allowed to request the Stock Exchange to publish on its Internet site both parts of these recommendations, regarding the ethic profile, at to bring it to the attention of its members.
- F.** The Committee shall be allowed to recommend all economic sites to create new forums for the exchange of financial/economic information, for the exchange of information related to the stock exchange as well as any other subject, on various levels of anonymity and various levels of ethic profiles.
- G.** The Committee shall be allowed to recommend relevant, non-governmental, institutions to appoint a professional public panel (henceforth "the Panel"), of the same nature as the present committee, which will take additional steps aimed at reaching the *Desirable state 2005*, as stated in the recommendations.
- H.** The Panel will check relevant Internet sites that haven't published an ethic profile or have published a profile substantially different from the proposed ethical profile and will discuss the matter with site managers in order to reach reaching the *Desirable state 2005*.
- I.** The Panel will develop an ethic profile classification list, of the relevant Internet sites, according to their general level of ethics. The Panel will do it after conducting a series of comprehensive and methodical discussions, in order to reach a wide consensus regarding this classification.

The classification will include marking the level of each component in the profile, at the top of it: "gold" (5), "silver" (4), and "bronze" (3). The classification will also include an overall rating of the ethical profile according to the same standard "gold", "silver" and "bronze".

Once every six months (in accordance with paragraph 4), the Panel will publish its classification list with all the supplements (according to paragraph 8).

- J.** The Panel will advise on the ways to disseminate these ethical principals, on which the profiles are based, into the editorial boards of the relevant sites as well as into the consciousness of the general public.
- K.** The Panel will hold discussions with relevant Internet site owners, editors and writers in order to establish a policy, acceptable to them, for general as well as individual integration of the ethical profiles into the relevant Internet site.
- L.** The Panel will examine the possibility of establishing a controlling mechanism for monitoring the ethical quality of the relevant Internet sites.
- M.** Toward the ends of its first year of work, the Panel will produce a list of recommendations regarding the *Desirable state 2006* and will act in accordance with these recommendations to ensure their application.
- N.** The Panel will create an Internet site that will include the Panel's recommendations, the list (according to paragraph 4) and a periodic report.

The institutions to be addressed, according to the Committee's recommendations are:
(in accordance with paragraphs 1, 4 to 7)

Israel Internet Union

Ashnav Association.

APPENDIX 1

Committee's Letter of Appointment.

To:
Mr. Eitan Avriel
Mr. Aviv Ayalon, Attorney at Law
Prof. Shifra Brohson
Dr. Aviva Geva
Mr. Menahem Dolinski
Mr. Baruh Hinoh
Dr. Naama Karmi
Prof. Assa Kasher
Dr. Yotam Lurie
Mr. Ziv Segal
Mr. Haim Raviya, Attorney at Law

May 26, 2003

Dear All,

Re.: **Establishment of a Committee for the formulation of ethical guide lines regarding information dissemination on the Internet.**

You are hereby invited to serve on a Committee, whose purpose is to formulate an ethical code for information dissemination on the Internet sites that are equipped with immediate message distribution facilities.

Various Internet sites, including economic ones, often constitute a meeting place for those who play on the financial market. Many of the players get updated in real time, regarding developments on financial markets, through these sites or by means of different services provided by them (forums, communities, talk-back mechanisms and so on). These satellite services are the most problematic ones as far as dissemination of accidental information by users is concerned.

Due to technological developments of the last years, we are witnessing cases in which users have published misleading information on economic Internet sites. In most cases we are talking about information designed to make other users deal in Securities in a manner desirable to the disseminator. Investments based on misleading information might, on the one hand, lead to heavy financial losses and on the other hand to undermine investors' faith in the financial market. In face of these developments, a need arose to formulate rules of behavior that deal with future dissemination of information, which originates from other internet users. The scope of possible solutions for this problem includes, among other things, legislation, enforcement and self-imposed supervision together with adoption of suitable norms of behavior and ethics.

We are of the opinion that the right balance between costs and benefits justifies an independent regulation of the field. Free flow of information is essential for decision making and right action taking, therefore the publication of accurate and reliable information on the Internet is a prerequisite for it becoming a source of reliable information for the users. We would like to stress that the goals of the ethic code and self regulation **are not** to hurt the free flow of information on the Internet. On the contrary: freedom of expression is a basic right, essential for the existence of a democratic regime. Never the less, freedom of expression **does not** include the right to mislead, defraud and disseminate false information; therefore it should not be used for these purposes, not even on the Internet.

In the light of the aforesaid, it seems appropriate to initiate the creation of a framework that will determine: what the ethic rules, for information dissemination on the Internet economic sites, are? It is worth noting, that this proposition is directed mainly toward the long term objectives, which the ethical code is suppose to achieve and, therefore, at present it does not include details of the ethical code itself. The code items, most of them dealing with various aspects of the information field, will be formulated by the Committee - compounded from the representatives of the academic, judicial, communications and business fields.

As a first step, it seems there is a place to create a voluntary, non-enforceable, mechanism that will define guidelines for the appropriate conduct of the economic information sites on the Internet.

The ethical code is designed to formulate rules of proper behavior and to set normative limits for information dissemination on the sites equipped with immediate message distribution facilities. These include forums, chats, talk-back mechanisms and any other sites through which information, that might adversely affect financial markets, may be distributed with relative ease.

The main aims of formulating the ethical code are:

- ✓ Reduction of misleading information dissemination, which is partial or not updated, but pretends to be true and complete (and is in fact disinformation).
- ✓ Encouragement of a voluntary, self imposed supervision, of sites dealing with economic issues.
- ✓ To create a deterring effect aimed at users passing immediate distribution messages on these sites, in order to affect the behavior of information users.
- ✓ To educate the surfing community in necessity to internalize the rules of alert and cautious behavior in order to elude the dangers of disinformation, as described above.
- ✓ Promotion of sites that function in accordance with credibility, accuracy, straightforwardness, and transparency standards.
- ✓ Integration into the world wide trend that is aiming to create limits and norms for the appropriate behavior on the Net.

Ms. Ika Arnon and Mr. Ori Katzir will act as Committee's coordinators.

The Israel Securities Authority will back up the Committee by providing administrative support; Ms. Ariela Isner shall act as an administrative assistant to the Committee.

Because of the importance of the issue, it seems to me that a possible completion of this report until October, 2003, will be a great contribution on your part.

I thank you for your agreement to partake the task of a committee member, and wish you success in your work.

Sincerely yours

Moshe Terry

APPENDIX 2

Topics for Discussion

(Updated list):

1. Is the existing situation, of publishing information related to the stock exchange on economic sites, desirable or very close to it; mainly in regard to widespread phenomenon, existing loopholes, specific scenarios and planned possibilities?
2. Does the gap between existing and desirable situations justify the taking of a special action, in order to improve it?
3. Is it possible to improve the situation significantly?
4. Is it constrictive to strive for a change even if it's partial?
5. What are the main shortcomings of the present situation? Stock pushing, the ruin of public trust in financial market, risky games, what else?
6. What are the roots of these shortcomings?
7. What is the desirable situation?
8. Who is in need of protection in the face of these shortcomings? Is protection embedded in rights?
9. What is the scope of solutions to these root problems? In regard to each solution – how feasible it is, how much will it cost, what is the damage it might cause relative to existing advantages?
10. What is the scope of solutions that do not require constant involvement of the ISA and are not bound to the seeming limitation of the freedom of speech by the regulator?
11. What is the scope of solutions that are a derivative of the ISA's ability to restrain financial power centers, in order to protect the people?
12. By assuming that dealing with the ethics of an economic site is within the scope of possible solutions, does the site have to be decentralized, be totally controlled by someone, or just in a good spot in the middle?
13. What are the appropriate points that have to be included in the generic code of ethics, in regard to the information related to the stock exchange?
14. Is it appropriate to have a separate code of ethics for the site owners, regular analysts – writers, journalists and the general public; for instance – in cases of conflict of interests?

15. Is it appropriate to encourage creation of forums, under the patronage of the existing sites or outside their control, for the exchange of economic information, stock exchange and any other subject – on different ethical levels for different subjects? How will the classification be defined and who will control its division?
16. Is it appropriate to encourage creation of forums, under the patronage of the existing sites or outside their control, for the exchange of general information on the stock exchange and any other subject– on different levels of anonymity? What will the controlling mechanism of reliability be?
17. Is it worth while to carry out controlled experiments, of the frameworks described above (paragraphs 11 – 12), within the existing Internet sites or outside of them?
18. Is it worth while to create a permanent framework, such as a journalistic board, that will deal with the ethical questions of financial sites?
19. What is the affinity between all the answers to the above stated questions and the formal ethical code of the ISA?

APPENDIX 3

List of Guests invited by the Committee

- 22/06/03 Ms. Michal Barak-Nevo, Attorney at Law, Manager of Enforcement department, Israel Securities Authority (ISA)
- 20/07/03 Ms. Meital Greybetz-Shortz, Attorney at Law, Operations Manager Israel Internet Society
- Dr. Amir Etzioni – President, Israel Internet Society
- Mr. Alon Gal – Deputy CEO Business Development and Editor of "Globs Tonight"
- Mr. Ofek Gabai – Internet Editor of the "Globes"
- 05/08/03 Mr. Tzvika Bergman – DiBursa site
- Mr. Moshe Verner - DiBursa site
- Mr. Gal Yarden - Deputy CEO Development, BisPortal site – Kav Manhe Company
- Mr. Shai Puzner – Editor BisPortal site – "Kav Manhe" Company
- 26/08/03 Dr. Niva Alkin-Koren, Law Faculty, University of Haifa
- Mr. Sam Bronfield – CEO, Stock Exchange
- 10/09/03 Dr. Dany Milin – Board member of "Ashnav" Association
- 01/10/03 Ms. Karin Barzilai-Nahon, Information Systems, Tel-Aviv university
- 26/10/03 Shlomo Valdman, "Friends" site, "Technological Thinking" Company

APPENDIX 4

Separately attached Protocols

APPENDIX 5

Answers formulated by the Committee

Answers to the questions posed by the Committee.

Is the existing situation, of publishing information related to the stock exchange on economic sites, desirable or very close to it; mainly in regard to widespread phenomenon, existing loopholes, specific scenarios and planned possibilities?
Does the gap between existing and desirable situations justify the taking of a special action, in order to improve it?
Is it possible to improve the situation significantly?
Is it constrictive to strive for a change even if it's partial?

It was agreed upon that the existing situation is not a desirable one, because of known negative cases and since such phenomenon may widen.

It was agreed upon that there is no real data regarding the scope of this phenomenon, mainly because it is difficult to assess the ethical level in each field.

There was no agreement regarding the imminent danger to a proper trade in securities following the misuse of the Internet.

It was agreed upon that that even if the phenomenon is not wide spread and the danger is not too great, it is still desirable to deal in ethics of information publishing regarding securities, if only for the benefit of the general public that is easier to mislead. It was agreed upon that the existing situation is given to improvement, even to a meaningful one, therefore it is appropriate to try and do so, as long as the effort will not be damaging or overly expensive.

What are the main shortcomings of the present situation? Stock pushing, the ruin of public trust in financial market, risky games, what else?

What are the roots of these shortcomings?

It was agreed upon that there is a danger of stock pushing, ruin of public trust in financial market as well as the danger of risky games.

It was agreed upon that offenders in this field can find alternative options.

It was agreed upon that participation and prevalent behavior of the general public on economic sites makes criminal behavior feasible.

It was agreed upon that the policy of an economic site influences, for better or worse, possible patterns of criminal behavior on that site.

What is the desirable situation?

It was agreed upon that in desirable situation – information publishing is carried out in an organized, ethical and legal manner.

It was agreed upon that under the desirable situation individual investing on the stock exchange – gets a proper protection from possible criminal abuse.

It was agreed upon that, under the desirable situation, the rule of freedom of activity on the Internet is also protected.

Who is in need of protection in the face of these shortcomings? Is protection embedded in rights?

It was agreed upon that certain investors merit protection in the face of these shortcomings, particularly because they lack professional background as well as any other protection.

It was agreed upon that the requirement for protection, by such investors, is justifiable and rightful.

It was agreed upon that the Committee shall not engage in legislating legal rights, but limit itself to ethical norms.

What is the scope of solutions to these root problems? In regard to each solution – how feasible it is, how beneficial it will be, how much will it cost, what is the damage it might cause relative to existing advantages?

What is the scope of solutions that do not require constant involvement of the ISA and are not bound to the seeming limitation of the freedom of speech by the regulator?

What is the scope of solutions that are a derivative of the ISA's ability to restrain financial power centers, in order to protect the people?

Since the nature of participation and prevalent behavior of the general public on economic sites is one of the root problems, it was agreed upon that it is appropriate to try to pinpoint options which might change this prevalent behavior, and to do so cautiously and within certain effective parameters.

Since the policy pursued by economic sites, can also be one of the root problems, it was agreed upon that it is appropriate to try to find practical solutions to influence this policy.

It was agreed upon that at present the change in the character of the Net can be achieved only with the agreement of those involved.

It was agreed upon that at present the influence on the policy of economic sites can be exercised only with their agreement and cooperation.

It was agreed upon that at present it will be appropriate to take "soft" measures only.

It was agreed upon that at present it will be appropriate to encourage strongly ethical behavior of the sites and not to take other steps – such as legal regulation.

By assuming that dealing with the ethics of an economic site is within the scope of possible solutions, does the site have to be decentralized, be totally controlled by someone, or just in a good spot in the middle?

What are the appropriate points that have to be included in the generic code of ethics, in regard to the information related to the stock exchange?¹

¹ Remark by the Chairman: at the stage where it will be decided to issue a generic ethic code for economic sites, it will have to have certain focal points. Henceforth is the shortlist of focal points for a generic Ethics Code:

Vision:

Contribution to community and business

Responsibility:

Forums – clear anonymity level, variety of anonymity levels

Quality Control:

Fast and overt

Credibility and Freedom:

Information, Analysis, Opinions, Forecasts

Professionalism:

Editorial environment, supervision, encouragement of professional participation, professional ethics

Is it appropriate to have a separate code of ethics for the site owners, regular analysts – writers, journalists and the general public; for instance – in cases of conflict of interests?

It was agreed upon that at present the ethical code should be decentralized and guided: each site shall continue to develop, nurture and enforce its own ethics; nevertheless the Committee will determine priorities in regard to central ethical issues of the economic sites.

It was agreed upon that at present it is necessary to create a list of ethical requirements and not to create a code of ethics, not even a generic code of ethics, in order to preserve an independent spirit of the internet as much as possible.

It was agreed upon that internet sites may impose a uniformed ethical system on all participants or alternatively to impose separate ethical systems, in accordance with their status on the site. At present the decision regarding this matter is independent and is to be made by each site separately.

Is it appropriate to encourage creation of forums, under the patronage of the existing sites or outside their control, for the exchange of general information on the stock exchange and any other subject – on different ethical levels for different subjects? How will the classification be defined and who will control its division?

Is it appropriate to encourage creation of forums, under the patronage of the existing sites or outside their control, for the exchange of general information on the stock exchange and any other subject– on different levels of anonymity? What will the controlling mechanism of reliability be?

Is it worth while to carry out controlled experiments, of the frameworks described above (paragraphs 15 – 16), within the existing Internet sites or outside of them?

It was agreed upon that a variety of ways that allow public participation on the Internet is desirable, particularly since there is a potential solution for existing problems this diversity.

Therefore, it was agreed upon that there should be encouragement of new forums and experiments in their management, within the framework of existing sites at their discretion and within their responsibility.

Is it worth while to create a permanent framework, such as a journalistic board, that will deal with the ethical questions of financial sites?

It was agreed upon that as long as the phenomenon is not widespread, there is no justification in creating a permanent and complex body such as a journalistic board. Nevertheless, it was agreed upon that certain institutions are to be encouraged to follow the activity of the economic sites in order to evaluate possible need for change.

What is the affinity between all the answers to the above stated questions and the formal ethical code of the ISA?

It was agreed upon that any activity carried out under the supervision of an institution will be hard presses to be effective. "One can only ask for – with what one does comply oneself".

Independence and Transparency:

Names of owners/corporations, names of editors/writers, transparency, conflict of interests

Service:

Protected environment, involvement, responsibility

It was agreed upon that that any activity by the Israel Securities Authority (ISA), to instill ethical norms among the companies trading on the stock exchange, is welcomed. But it is not a substitute for self examination and ethics implementation by the ISA itself.

It was agreed upon that further activity in regard to the ethical code of economic sites is dependant – both ethically and effectively, on the publication of the code of ethics and the ethics plan of the ISA.

It was agreed upon that ethical pursuits can not be limited to the legal aspects embedded in law.

APPENDIX 5A

Dissenting opinion of Mr. Haim Ravia, Attorney at law, Joined by Mr. Ziv Segal

Re.: Report of Committee for the formulation of ethical guide lines regarding information dissemination, related to Securities, on the Internet.

By virtue of my being a member of the aforesaid Committee (henceforth - Committee), I would hereby like to present my dissenting opinion regarding the "proposed ethical profile". My dissent relates to the rating of certain answers, to complex questions, which constitute an ethical profile. It is not a technical matter. The rating given to the answers – represents a world view. The one represented in the present rating - is controversial. Indeed, the definition of the "proposed ethical profile" intends to counter controversy, by stating that "In regard to some questions, there might be a disagreement regarding the interpretation of answers proposed on this scale. The ethical profile can take a stand in regard to these questions or may choose to avoid taking it." To my mind this clarification is not sufficient.

In its decision to rate the answers the Committee had expressed preference for some answers *prima facie* others. This approach is not content with ethical transparency policy that guides Internet sites. It prefers one policy *prima facie* others. The policy preferable to the Committee was given higher rating. As far as I can see, in some questions the high rating reflects an undesirable policy. Explicitly so in question no.7 (to what extend does the site operate an immediate and precise control mechanism which promptly erases, fully or in part, all material that originated outside the site, when there is a real suspicion of false information dissemination, over and above the requirement of the law?) and no.8 (to what extend does the site operate an immediate and precise control mechanism which promptly erases, fully or in part, all material that originated outside the site, when there is a real suspicion that publication of this material is an infraction of the Securities law, over and above the requirement of the law?). In both cases the high rating was given to the answers that provide the relevant mechanism for content control. Such mechanism is censorship, on behalf of the system that operates the site. The censorship that is not beholden by law – for example, erase "... which promptly erases... when there is a real suspicion that publication of this material is an infraction of the Securities law, over and above the requirement of the law" – is a forceful attack on the freedom of speech: not only there is no reason to require deletion of data that does not affect fraudulently the prices of securities, moreover there is no need to encourage a newspaper-like apparatus to activate a complex and ramified control system that will decide on data reliability and its suitability for publication. Life experience teaches us that if we encourage the system to take on censorship duties – and award it with high score for doing it – the system will gravitate toward blocking the information. To my mind it is a mistake. What will system's considerations be? How will it verify the credibility of the data? What is the right balance between credibility check and the importance of information publication? Enough testimonies have been heard by the Committee regarding the value of free flowing information, related to companies whose securities are issued to the public, for us to dissociate ourselves from erasing it.

For the same reasons I dissociate myself from the rating given to question no.9 ("to what extent does the infractions control mechanism allow the site to develop various Forums open to the general public and distinct from one another by the degree of caution required from the user"). The answers favor partial anonymity over total anonymity.

By its very nature the Committee concentrates on the failure of anonymity (or, to be more precise, the misleading impression of anonymity on the Net"), both in general and in regard to securities in particular. But there is also a blessing in anonymity: it encourages free dialogue, where a person is judged according to the content of his statement and not according to his identity. In the field of securities, anonymity encourages publication of information that would have, otherwise, remained restricted to the kindred only. For example, journalists have reported to the committee on information published anonymously, on the Internet that in time was authenticated and published in the news paper. At the same time we can not ignore a limited number of cases, in Israel, where people have been accused of fraudulent activities in securities, which they carried out under the cover of so-to-say anonymity, on the Internet, and from the proven damage this activity had caused the public. Not only that – but the public is capable of cautiously judging information anonymously published on the Net. The result is that there is no need to encourage "controlled anonymity" at the expense of total anonymity – therefore the rating of answers to this question is erroneous.

July, 12, 2005

Sincerely yours
Haim Ravia,
Attorney at Law

Copy: Prof. Assa Kasher,
Chairman
Members of the Committee

APPENDIX 5B

Dissenting opinion of Dr. Naama Karmi.

The assumptions stated, under paragraphs 10 and 11, regarding the ethical profile of the site – did not gain the overall agreement of the Committee members, at least as far as I see it. In any case they are not acceptable to me. A site that does not allow or encourage response or requires its prior confirmation is not necessarily less ethical than the one that does. The proposed rating is based on the assumption that public reaction is a control tool, which raises the ethical level of information published on the site. But this very response can be manipulative, riddled in personal information and so on. There is reciprocation between different qualities of the site: if the site allows response and gets a high rating, but does not allow control over the response, it might be in danger of hurting the credibility of material it published, instead of raising this credibility. This, however, will not be reflected in its profile.

August 28, 2005

Response by the Chairman:

Please note the comment that precedes the list of parameters and values of an ethic profile.²

² Page 3 of the Report.