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Exemption Criteria from Exams and Internships under Section 8a of the Regulation of Investment Advice, Investment Marketing, and Investment Portfolio Management Law 5755-1995 (hereinafter, “the Law”)

Background

Section 8a of the Law empowers Israel Securities Authority (hereinafter: “**the Authority**”) to grant licenses to applicants who do not meet the conditions related to internship and/or exams, where the Authority is convinced that, for special reasons, the applicant may be considered eligible to receive a license, taking into account his education and professional experience.

Over the years, an exemption policy has evolved based on the cases brought before the Authority. Until 2008 the Authority discussed requests of exemption of exams and/or internship under Section 8a of the Law. In 2008 the Authority appointed a Committee constructed of members of faculty of the Authority (hereinafter: “**the Committee**”), whose task is to examine each exemption application that reaches the Authority according solely to the following approved criteria, and to grant the exemption to a candidate who meets the criteria.

Note that these criteria do not restrict the Authority’s discretion and the Authority may deviate from them, recording the reasons for such deviations.

We direct the reader’s attention to the guidelines that appear on the Authority’s website regarding the exemption application process, at the following [link](#).

Exemption Criteria

The list of criteria for granting exemptions from the licensing exams and from internship requirements appears in the table below.

Clarifications on applying the criteria listed in the following table:

1. The applicant must prove **relevant** experience in the field in which the exemption is requested. For example, experience in investment advice does not grant eligibility for an exemption from an internship in portfolio management.
2. The applicant's experience, including the content and intensity of the experience must be **significant and current**. Any experience of less than six months will not be counted in the required period of experience defined by the criteria.
3. The Authority will not grant exemptions to applications based on experience in fields that are related to, but do not include actual experience in investment advice. For example, experience in underwriting, foreign currency trading, and securities trading.
4. The Authority will not grant exemptions to applications based on experience in occupations that require no license by law, such as investment advice or portfolio management by an individual, to five clients, or membership in investment committees.
5. The Authority will not grant exemptions from the basic exams, under Section 8a of the Law, when the application is based on studies that do not provide an exemption from the basic exams according to Section 14 of the Regulation of Investment Advice, Investment Marketing, and Investment Portfolio Management Regulations (License Applications, Examinations, Internship, and Fees) 5757-1997 (hereinafter, "**the Regulations**"), as the Regulations define specific arrangements for such cases.
6. An applicant requesting an exemption from internship based on experience in investment management at an institutional entity must prove significant involvement in the management of the investments of the institutional entity. Occasional advising to an institutional entity, or rendering portfolio management services as an incidental service to other services offered by an applicant do not constitute significant practice.
7. The Authority will grant no exemptions to applications based solely on personal reasons, such as economic difficulties, medical issues, and the like, rather than on education and experience.

The Authority no longer considers a passing grade on the S3, S4, S31, S55, or S63 exams in the United States as a permit to engage in investment advice, investment marketing, or investment portfolio management, for the purposes of granting exemptions from licensing exams and internship.

Criterion for rejecting applications for an exemption:

Applications submitted with lack of good faith or clean hands shall be rejected, even if the applicant allegedly meets all the criteria for an exemption. For example, making false claims or failing to disclose relevant facts, etc. In such cases, the Authority may set a waiting period during which the applicant may not submit additional applications for an exemption of any kind, even if the circumstances change.

Guidelines for partial exemption from internship:

- An absences permitted under any law will be approved, but will not be counted in the required internships days. Hence, absence due to reserve duty, illnesses and/ or vacation will not be taken into account in the required sum of internship days.¹
- The partial exemption will apply for an internship beginning within a year from the day of receipt of exemption. However, in case the exemption has not been implemented, an applicant may re-submit his application for a partial exemption in the future.
- After the partial exemption has been approved, the required period of internship, according to the criteria, will be counted only after the Authority authorizes the internship application and the partial exemption and a notification is delivered to the intern and his trainer.

¹ Section 19(b) of the Regulations specifies the total number of days required to complete an internship. Section 19(c) states that one may be absent for up to 14 days without having to complete the absent days. During a partial internship, any absent day must be completed.

Exemption requested	Criteria	Examples and clarifications ²
Exemption from the exam on securities laws and professional ethics	There are no exemptions from this exam.	
Exemption from the three basic exams (accounting, economics, statistics and finance)	Proof of at least two years of experience in investment advice, investment marketing, or investment portfolio management in a country outside of Israel that requires a license or permit for such occupations. The experience must have been acquired within the seven years preceding the date on which the application was submitted to the Committee.	<ul style="list-style-type: none"> a. An applicant who passed the S65 exam or the S7 and S66 exams in the United States and thereafter acquired at least two years of experience in investment advice in the seven years preceding the application submission date. b. An applicant who passed all three levels of the CFA (Chartered Financial Analyst) exams and thereafter acquired at least two years of experience in investment advice within the seven years preceding the application submission date.

² The examples given in the table are correct for the day of publication of the document.

Exemption requested	Criteria	Examples and clarifications²
	<p>An applicant licensed to practice as a broker-dealer in a country outside of Israel, who practiced the profession for at least two of the seven years preceding the date of which the application was submitted to the Committee, and such occupation was a legal practice, that is, under a license held or a permit issued in that country.</p>	<p>An applicant who passed the S7 exam in the United States and thereafter acquired two years of experience in the United States working in a company that is a licensed broker-dealer.</p>
	<p>Proof of at least three years of experience in investment advice, investment marketing, or investment portfolio management, in a country outside of Israel where such practices do not require a license. The experience must have been acquired within the last seven years preceding the date on which the application was submitted to the Committee.</p>	<p>An applicant who acquired three years of experience in investment advice in Switzerland, in the seven years preceding the application submission date.</p>

Exemption requested	Criteria	Examples and clarifications²
	<p>Proof of fulfillment of the following cumulative conditions:</p> <ol style="list-style-type: none"> <li data-bbox="819 403 1379 770">1. On February 1st, 2006, the applicant was eligible for an exemption under the transition instruction defined in Amendment No. 4 of the Law (that is, continuous practice of portfolio management in Israel in the period between August 9th, 1994 and June 30th, 1997). <li data-bbox="819 791 1379 1204">2. The applicant was and continues to be an employee of a fund manager who engages in investment decision making on June 1st, 1999 and in the three months preceding that date, and continued to engage continuously in the fund's decision making since then, until submission of the exemption application. 	

Exemption requested	Criteria	Examples and clarifications²
Exemption from the professional exams (Professional Exams A and B)	An applicant who proves acquiring at least two years of experience in investment advice, investment marketing, or investment portfolio management in a country outside of Israel, that requires a license or permit for such occupations. The experience must have been acquired within the seven years preceding the date on which the application was submitted to the Committee.	<ul style="list-style-type: none"> a. An applicant who passed the S65 exam or the S7 and S66 exams in the United States and thereafter acquired at least two years of experience in investment advice in the seven years preceding the application submission date, may submit an application for exemption from Professional Exam A based on this criterion. b. An applicant who passed the three levels of the CFA (Chartered Financial Analyst) exams and thereafter acquired at least two years of experience out of Israel in investment advice or portfolio management within the seven years preceding the application submission date, may submit an application for exemption from Professional Exams A and B based on this criterion.

Exemption requested	Criteria	Examples and clarifications²
	In exceptional cases, an exemption from the professional exams will be granted to applicants who have acquired a broad education specifically in the field of financial markets.	An applicant who has a doctoral degree in finance awarded by an academic institution and has engaged in this field in an academic setting.

Exemption requested	Criteria	Examples and clarifications²
	<p>Proof of fulfillment of the following cumulative conditions:</p> <ol style="list-style-type: none"> <li data-bbox="819 403 1379 770">1. On February 1st, 2006, the applicant was eligible for an exemption under the transition instruction defined in Amendment No. 4 of the Law (that is, continuous occupation in portfolio management in Israel in the period between August 9th, 1994 and June 30th, 1997). <li data-bbox="819 791 1379 1204">2. The applicant was and continues to be an employee of a fund manager who engages in investment decision making on June 1st, 1999 and in the three months preceding that date, and continued to engage continuously in the fund's decision making since then, until submission of the exemption application. 	

Exemption requested		Criteria	Examples and clarifications²
Exemption from internship	Exemption from internship in investment advice, investment marketing, or investment portfolio management according to the	An applicant who proves acquiring experience in investment advice, investment marketing, or investment portfolio management in a country outside Israel, and legally practiced these occupations, according to one of the following:	

Exemption requested		Criteria	Examples and clarifications²
	applicant's accrued experience abroad	(1) The applicant held a license or a permit issued by that country – for at least two of the seven years preceding the submission date of application to the Committee;	<p>a. An applicant who passed the S65 exam or the S7 and S66 exams in the United States and thereafter acquired at least two years of experience in investment consulting in the seven years preceding the application submission date, may submit an application for exemption from internship in investment advice based on option (1) of this criterion.</p> <p>b. An applicant who passed all three levels of the CFA (Chartered Financial Analyst) exams, and thereafter acquired at least two years of experience out of Israel in investment advice in the seven years preceding the application submission date, may submit an application for exemption from internship in investment advice based on option (1) of this criterion.</p>

Exemption requested		Criteria	Examples and clarifications²
Exemption from internship		(2) The applicant held no license or permit, but such occupation didn't require a license in the country in which he practiced, for at least three years of the seven years preceding the submission date of the application to the Committee.	An applicant who acquired three years of experience in investment advice in Switzerland in the seven years preceding the application submission date, may submit an application for an exemption from internship in investment consulting based on option (2) of this criterion.

<p>Exemption from internship</p>	<p>Exemption from internship in investment advice, investment marketing, or investment portfolio management for an investment manager of an institutional entity</p>	<p>An investment manager in an institutional entity* (excluding an employee of a fund manager who participates in investment decision making), who proves acquiring significant experience in investment management of an institutional entity shall be issued the following exemption:</p> <p>(1) If the applicant proved at least two years of experience within the seven years preceding the submission date of the application to the Committee – the applicant shall receive a partial exemption from internship. A partial exemption means that the applicant is exempt from four months of internship in investment advice and investment marketing and from seven months of internship in investment portfolio management. In both cases the applicant will be obligated to complete two months of internship in a position where the applicant will acquire experience working with customers.</p>	<p>Examples of "institutional entities":</p> <ul style="list-style-type: none"> • Bank (nostro account management); • The Administrator General (managing inheritance estate, etc). • Public benefit foundation (managing the remaining money that hasn't been divided yet), non-profit organizations or public benefit companies (that are not a public benefit foundation); • Institutions of higher education that are budgeted by the Council for Higher Education (managing the institution's budget).
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		<p>(2) If at least ten years of experience are proven, of which at least two years in the seven years preceding the submission date of the application to the Committee – a complete exemption from internship will be issued to the applicant.</p> <p>For this purpose, "institutional entity" means – an entity that meets all of the following criteria:</p> <ul style="list-style-type: none"> a. The investment management is performed subject to principles of investment stipulated in the law, yet leaving discretion to the portfolio manager to invest in a variety of financial instruments or types of securities. b. The investment management is performed using a variety of financial instruments. c. There are internal monitoring procedures of the investment management. 	
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Exemption requested		Criteria	Examples and clarifications ²
Exemption from internship		d. The net asset value managed in the entity is no lower than 100 Million NIS.	

Exemption requested		Criteria	Examples and clarifications²
Exemption from internship	Partial exemption from internship in investment advice, investment marketing, or investment portfolio management, to an employee experienced in hedging activity carried out in a trading room in an Israeli ETN ("Teudot Sal") company	<p>An applicant who proves acquiring significant experience in hedging activity carried out in a trading room in an Israeli ETN ("Teudot Sal") company, shall be issued the following exemption:</p> <p>If the applicant proves five years of experience within the seven years preceding the submission date of the application to the Committee – the applicant shall receive a partial exemption from internship. A partial exemption means that the applicant is exempt from two months of internship in investment advice and investment marketing and from five months of internship in investment portfolio management. In both cases the applicant will be obligated to complete four months of internship in a position where the applicant will acquire experience working with customers, and the shortened internship cannot be completed at a fund manager.</p>	

	<p>Exemption from internship in investment portfolio management to a fund manager employee</p>	<p>Satisfaction of the following cumulative conditions is proven:</p> <ol style="list-style-type: none"> 1. On February 1st, 2006, the applicant was eligible for an exemption under the transition instructions defined in Amendment No. 4 of the Law (that is, practice in Israel in investment portfolio management continuously in the period between August 9th, 1994 and June 30th, 1997). 2. The applicant was and continues to be an employee of a fund manager who engages in investment decision making on June 1st, 1999 and in the three months preceding that date, and continued to engage continuously in the fund's decision making since then, until submission of the exemption application. 	
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Exemption requested		Criteria	Examples and clarifications ²
	Partial exemption from internship in investment portfolio management for an applicant who holds an Israeli investment advising license or an Israeli investment marketing license ³	Criteria for partial exemption from internship for an applicant who holds an Israeli investment advising or investment marketing license are set at the following link	

³ An investment advising/ marketing intern who wishes to convert his internship to portfolio management, during the internship period, is not required to submit his request as an "exemption for special reasons", but as a regular request concerning an internship. The said internship will be counted as an internship for portfolio management from the start, as presented on the internship process information page at the ISA website - [link](#).

Exemption requested		Criteria	Examples and clarifications²
	Exemption from internship in order to obtain a limited license for financial analysis only, based on experience in the field of financial analysis	<p>Proof of fulfillment of the following cumulative conditions:</p> <ol style="list-style-type: none"> 1. Significant experience in the analysis field. 2. Relevant education in the analysis field. 3. Passing the exams required in the regulations. 	A license granted on the basis of an exemption from internship according to this criterion will be a limited license that is limited to financial analysis only.
Recognition of an internship despite the intern's absence in exceeding the permitted length of absence under Regulation 19(d) of the Regulations		<p>The following considerations will be taken into account:</p> <ol style="list-style-type: none"> 1. The reason for the intern's absence; 2. The number of days remaining to complete the required internship period; 3. Did the intern return to his place of employment after his absence or is that even a possibility? 4. Did the intern's absence compromise the adequacy of the internship? 	Examples of justified reasons for absence (consideration no. 1): maternity leave and reserve duty.

Application and Transition Instructions

1. This amendment shall apply on the publication date of the new version on the ISA website.
2. Notwithstanding the above, applications for exemptions based on the pre-amendment criteria may be submitted during the period of one year from the application date, provided that the applicant meets all the conditions in the pre-amendment version of the criteria.

Updates

Version	Details	Date
1	<p>The main changes in the new version of the Criteria are:</p> <ul style="list-style-type: none">• The period of required experience has been extended from one to two years where the applicant proves that he holds a license in a country outside of Israel and was duly engaged in the profession after receiving the license, and from one to three years where the applicant engaged in the profession in a country that has no licensing requirement.• A new criterion has been added granting an exemption from the basic exams to an applicant who was duly engaged as a broker-dealer for at least two years in a country outside of Israel.• Modification of the criterion for issuing an exemption from the professional exams to applicants who acquired experience in a country outside of Israel.• The period during which the experience was acquired has been limited to the last seven years.	10.11.2013

Version	Details	Date
2	<ul style="list-style-type: none"> • A definition to the term "Committee" constructed of members of faculty authorized to discuss requests of Exempts, was added. • In the paragraph concerning clarifications regarding the application of the criteria mentioned in the table of contents, the wording of clause 8 was changed. It was clarified that the Authority solely recognizes permits to engage, and does not permit such. • In the table of contents, an example to clarify that passage of the three levels of the CFA exams in the circumstances mentioned above, is fit for exemption from the professional exams, was added. 	1.2.2015
3	<ul style="list-style-type: none"> • In the table of contents, an example was added to clarify that passage of the three levels of the CFA exams in the circumstances mentioned below, is fit for exemption from the three basic exams. • A definition to the term "institutional entity" was added. 	9.5.2016
4	<ul style="list-style-type: none"> • A new criterion has been added granting a partial exemption from internship to an applicant with experience in hedging activity carried out in a trading room in an Israeli ETN ("Teudot Sal") company. 	4.12.2018
5	<ul style="list-style-type: none"> • A new criterion has been added granting an exemption from internship in order to obtain a limited license for financial analysis only, based on experience in the field of financial analysis. 	3.4.2019
6	<ul style="list-style-type: none"> • Guidelines for partial exemption from internships have been added. 	15.1.2020