

MEMORANDUM OF UNDERSTANDING

BETWEEN THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

AND

THE GOVERNMENT OF THE STATE OF ISRAEL AND THE ISRAEL SECURITIES

AUTHORITY

ON BEHALF OF THE GOVERNMENT OF ISRAEL

CONCERNING CONSULTATION AND COOPERATION IN THE

ADMINISTRATION

AND ENFORCEMENT OF SECURITIES LAWS

The United States Securities and Exchange Commission and the Israel Securities Authority recognize the increasing international activity in securities markets and the corresponding need for mutual cooperation in matters relating to the administration and enforcement of United States and Israeli securities laws.

Given the importance of the expected continued growth in the relationship between the United States and Israeli markets, it is essential to establish a comprehensive framework for enhancing communication about all matters relating to the operation of the securities markets of their respective countries. Cooperation and consultation between the Authorities will create the balance between market oversight and stability, and market development and competition, that is critical to the continued evolution of their domestic markets.

Based on the foregoing, the Government of the State of Israel and the Israel Securities Authority and the United States Securities Exchange Commission and on behalf of the Government of Israel have reached the following understanding with respect to consultations and mutual cooperation as set forth herein.

Article 1

Definitions

1. For the purposes of this Memorandum of Understanding:
 - (a) "Authority" means:
 - (i) the United States Securities and Exchange Commission ("SEC"); or
 - (ii) the Israel Securities Authority ("ISA").
 - (b) "requested Authority" means an Authority to whom a request under this Memorandum of Understanding is made.
 - (c) "requesting Authority" means an Authority making a request under this Memorandum of Understanding.
 - (d) "person" means a natural person, unincorporated association, partnership, or legal entity, or body corporate.
 - (e) "securities market" means a market, including an over-the-counter market, if any, for shares, bonds, options and other securities, that is recognized, regulated or supervised by the Authorities.

- (f) "investment advisory business" means the business of advising others for compensation, either directly or through publications or listings, as to the value of securities or as to the desirability of investing in, purchasing or selling securities, including the business of managing investment portfolios.
- (g) "parties" means
 - (i) the United States Securities and Exchange Commission ("SEC") on one part,
 - (ii) the Government of the State of Israel and the Israel Securities Commission ("ISA") on the other part.
- (h) "laws or regulations" means the laws and regulations, if any, applicable to matters in the jurisdictions of the Authorities concerning:
 - (i) insider trading;
 - (ii) the use by any person of any means, directly or indirectly, in connection with the offer, purchase, or sale of any security:
 - (a) to employ any device, scheme, or artifice to defraud;
 - (b) to make any untrue statement of a material fact or to omit to make a statement of a material fact necessary in order to make a statement made, in light of the circumstances under which it was made, not misleading; or
 - (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person;
 - (iii) the duties of persons to make accurate disclosures in connection with reporting requirements; and
 - (iv) the duties of persons engaged in an investment advisory business.

2. The Authorities will define the terms herein in accordance with the relevant laws of the jurisdiction of the requesting Authority, unless such definition would require the requested Authority to exceed its legal authority or otherwise would be prohibited by the law of the State of the requested Authority. In any case where such definition of a term would require the requested Authority to exceed its legal authority or otherwise would be prohibited by the law of the State of the requested Authority, the Authorities will consult in accordance with Article 9.

Article 2

Facilitating Cross-Border Activity and Consultations

1. The Authorities recognize the importance of developing and strengthening each of their markets by facilitating cross-border activity. The Authorities intend to use their best efforts to coordinate cross-border offerings of securities by United States and Israeli issuers, and to address issues that may arise during that process.
2. The Authorities intend to engage in regular consultations for the purpose of enhancing access to each other's markets by issuers, and protecting investors by ensuring the stability, efficiency, and integrity of the securities markets of the United States and Israel and the administration of United States and Israeli securities laws. Such consultations are intended to facilitate and foster access to each market and to improve the efficiency of the registration and reporting process for multi-jurisdictional issuers; the development and recognition of internationally accepted accounting, auditing and disclosure standards; effective clearance and settlement of securities that are traded on a cross-border basis; and other matters of mutual interest.
3. The Authorities intend to review continuously matters relating to the enhancement and facilitation of cross-border activities between the United States and Israeli securities markets and to modify this Memorandum of Understanding as necessary to reflect any new understandings that can be mutually adopted.

Article 3

Scope of Assistance

1. The Authorities will provide the fullest mutual administrative assistance, as contemplated by this Memorandum of Understanding.
2. The SEC has the power to investigate suspected violations of the laws or regulations of the United States, which could result in the initiation of administrative, civil or criminal

proceedings. The ISA has the power to investigate suspected violations of the laws or regulations of Israel, which could result in the initiation of criminal proceedings. Accordingly, the Authorities recognize that where the subject matter of a request for assistance by one Authority under this Memorandum of Understanding concerns a suspected violation of its laws or regulations, as that term is defined herein, the subject matter of that request could be susceptible to being investigated as a criminal violation under the laws or regulations of the requested Authority, if the same facts occurred within the jurisdiction of the requested Authority.

3. Assistance within the scope of paragraphs 1 and 2 of this Article will be provided to facilitate the administration and enforcement of laws or regulations, the conduct of investigations, litigation or prosecution in cases where information located within the jurisdiction of the requested Authority is needed to determine whether, or prove that, the laws or regulations of the requesting Authority may have been violated. Assistance will not be provided where the execution of a request would require the requested Authority to exceed its legal authority or otherwise would be prohibited by the laws of the State of the requested Authority.

4. Assistance available under this Memorandum of Understanding includes, but is not limited to:
 - (a) providing access to information in the files of the requested Authority;
 - (b) taking the statements of persons; and
 - (c) obtaining information and documents from persons.

5. The Authorities recognize that the ISA does not possess the legal authority to provide the assistance contemplated by this Memorandum of Understanding. The ISA will use all reasonable efforts to recommend for approval to the Knesset, at the earliest possible time, any legislation or authorization necessary to implement this Memorandum of Understanding.

Article 4

General Principles for Providing Assistance

1. This Memorandum of Understanding sets forth a statement of intent of the Authorities to establish a framework for mutual assistance and to facilitate the exchange of information between the Authorities to enforce or secure compliance with the laws or regulations of their respective jurisdictions, as defined herein, and does not impose any legally binding obligations on the Authorities or supersede domestic law.

2. All requests for assistance pursuant to this Memorandum of Understanding will be made by, and executed through, the Authorities. The Authorities will communicate directly with each other for the purpose of carrying out the provisions of this Memorandum of Understanding.

3. No provision of this Memorandum of Understanding will be construed as conferring the right to ask for, or challenge, the execution of a request for assistance upon any person or Authority other than those designated herein.

4. A request for assistance may be denied by the requested Authority:

- (a) where the request is not in accordance with the provisions set forth in this Memorandum of Understanding;
- (b) on grounds of public interest, as determined in Israel by the Attorney General of the State of Israel, and as determined in the United States by the SEC; or
- (c) where the information requested concerns facts that could constitute alleged violations of the law of the requesting Authority that occurred before the date of the signing of this Memorandum of Understanding.

Article 5

Requests for Assistance

1. Requests for assistance will be made in writing and addressed to the requested Authority's contact officer listed in Appendix A. A copy of the written request will also be provided to the contact officer of the criminal authority of the State of the requested Authority, listed in Appendix A.
2. Requests will specify:
 - (a) a general description of both the matter that is the subject of the request and the purpose for which the assistance or information is sought;
 - (b) a general description of the assistance, documents, information and statements of persons sought by the requesting Authority;
 - (c) the persons believed by the requesting Authority to possess the information sought, and their connection to the investigation or the places where such information may be obtained, if the requesting Authority is knowledgeable thereof;
 - (d) the legal provisions pertaining to the matter that is the subject of the request; and,
 - (e) the desired time period for the reply.

Article 6
Execution of Requests

1. Access to information held in the files of the requested Authority will be provided upon request of the requesting Authority within a reasonable period of time.
2. In making a request for assistance, the requesting Authority may designate the persons whose statements it wishes to be taken.
3. When requested by the requesting Authority, the statements of persons involved, directly or indirectly, in the activities underlying the request, or holding information that may assist in carrying out the request, will be taken, and the production of other evidence will be required by the requested Authority or any other person that it designates.
4. Upon request by the requesting Authority, copies of original documents will be provided in a form that certifies their authenticity under the laws of the jurisdiction of the requested Authority.
5. The statements of persons, if requested, will be taken in the same manner and to the same extent as in investigations or other proceedings in the jurisdiction of the requested Authority.

When requested by the requesting Authority, however, statements will be taken under circumstances where a knowingly false statement could subject the declarant to criminal penalties. Upon request, and to the extent permitted by the laws of the jurisdiction of the requested Authority, a transcript of the statements will be made.

6. To the extent a witness, other than a government official, consents, a representative of the requesting Authority may attend the taking of statements, prescribe specific questions to be asked of the witness, and otherwise consult with the representatives of the requested Authority. If and when a witness objects to the presence of such a representative of the requesting Authority, such representative may not attend the taking of such statements, but

may prescribe specific questions to be asked of the witness and be available for consultations. To the extent that the Governments of the United States of America and The State of Israel agree to a procedure that expands the opportunity for a representative of a foreign state to participate in taking the statement of a witness, the procedure provided for by that agreement will be considered to expand and modify this paragraph.

7. Notwithstanding any other provision of this Memorandum of Understanding, any person giving statements or providing information or documents as a result of a request made under this Memorandum of Understanding will be entitled to all the rights and protections of the laws of the jurisdiction of the requested Authority. Assertions regarding other rights and privileges arising exclusively pursuant to the laws of the jurisdiction of the requesting Authority will be preserved for consideration by the courts in the jurisdiction of the requesting Authority.

Article 7

Confidentiality of Requests

1. Except for disclosures in accordance with Article 8, disclosures pursuant to a court order, and by agreement between the Governments of the United States of America and the State of Israel, and disclosures that are absolutely necessary to carry out the request:
 - (a) each Authority will keep confidential requests made under this Memorandum of Understanding, the contents of such requests, and any other matters arising during the operation of this Memorandum of Understanding, including consultations between the Authorities; and
 - (b) the requesting Authority will keep confidential any information received pursuant to this Memorandum of Understanding.

2. To ensure confidentiality of any information provided by a requested Authority in response to a request under this Memorandum of Understanding, where appropriate, the requested Authority will in good faith determine and represent that disclosure of the information would violate its country's laws.
3. The requesting Authority, to the extent permitted by law, will notify the requested Authority of any demand for information received pursuant to the Memorandum of Understanding prior to complying with the demand, and will assert such appropriate legal exemptions or privileges with respect to such information as may be available. Such demand for information will be complied with in accordance with paragraph (1).
4. When a requesting Authority has terminated the matter for which assistance has been requested under this Memorandum of Understanding, upon the request of the requested Authority, the requesting Authority will return to the requested Authority all documents provided.

Article 8

Permissible Use of Information

1. The requesting Authority may use the information received from the requested Authority solely:
 - (a) for the purposes stated in the request with respect to ensuring compliance with or enforcement of the laws or regulations of the requesting Authority, including the laws or regulations specified in the request;
 - (b) for purposes within the general framework of the use stated in the request, including referral to the Justice Department of the United States of America or the Ministry of Justice of the State of Israel for assisting in a criminal prosecution for a violation of laws or regulations, including any general criminal charge related thereto (e.g., mail and wire fraud, perjury, false statements or obstruction of justice), or conducting a civil enforcement proceeding relating thereto by the SEC or ISA, or conducting an administrative enforcement proceeding by the SEC;

- (c) in responding to requests for information from the national legislature; or
- (d) pursuant to a diplomatic note to be exchanged between the Government of Israel and the Government of the United States of America.

2. The requesting Authority will, to the fullest extent possible, notify the requested Authority by letter of a request pursuant to paragraph 1(c) of this Article.

Article 9

Consultations Regarding Mutual Assistance Pursuant to this Memorandum of Understanding

1. The Authorities will engage in consultations with respect to this Memorandum of Understanding with a view to improving its operation and resolving any matters that may arise. In particular, the Authorities will consult upon request in the event of a change in market or business conditions, matters regarding the administration of the securities markets of the United States and Israel, or in the legislation governing the matters set forth in paragraph 1(h) of Article 1, or any other circumstance that makes it necessary or appropriate to amend or extend this Memorandum of Understanding in order to achieve its purposes.
2. The Authorities may agree on such practical measures as may be necessary to facilitate the implementation of this Memorandum of Understanding.
3. Any of the conditions of this Memorandum of Understanding may be amended, relaxed or waived by mutual agreement of the parties.

Article 10
Costs of Investigation

If it appears that responding to a request for assistance under this Memorandum of Understanding will involve substantial costs being incurred by the requested Authority, the requested Authority and the requesting Authority will establish a cost sharing arrangement before continuing to respond to such request for assistance.

Article 11
Entry Into Effect

Each Authority will notify the other Authority when domestic legislation and other measures that are necessary to implement the provisions of this Memorandum of Understanding have been adopted. This Memorandum of Understanding will become effective immediately upon exchange of such letters of notification by the Authorities.

Until the effective date of this Memorandum of Understanding, the Authorities will adhere to its spirit in so far as is permissible by law.

Article 12
Termination

This Memorandum of Understanding may be terminated by the parties giving 30 days notice to the other Authority and/or party as the case may be that this Memorandum of Understanding is no longer in effect. If any party gives such notice, this Memorandum of Understanding will continue to have effect with respect to all requests for assistance that are made before the effective date of notification.

Done at _____ on this ____ day of February, 1996, which corresponds to the ____ day of _____, 5756, in the English and Hebrew languages, both texts being equally authentic.

FOR THE UNITED STATES SECURITIES
AND EXCHANGE COMMISSION

FOR THE GOVERNMENT OF THE STATE
OF ISRAEL AND THE ISRAEL SECURITIES
AUTHORITY ON BEHALF OF THE
GOVERNMENT OF THE STATE OF ISRAEL

APPENDIX A

CONTACT OFFICERS

United States Securities and Exchange Commission
450 5th Street N.W.
Washington, D.C. 20549
Attention: Director, Office of International Affairs

Tel.: (202) 942-2770
FAX: (202) 942-9524

Israel Securities Authority
3 Kanfe Nesharim Street
Jerusalem 95461
Attention: Director, Division of Enforcement

Tel.: 011-972-2-631-4011
FAX: 011-972-2-651-3939

Ministry of Justice
P.O. Box 1087
Jerusalem 91010
Attention: Office of the State Attorney

Tel: 011-972-2-708-550

FAX: 011-972-2-288-065

United States Department of Justice

Criminal Division

Department of Justice

Washington, D.C. 20530

Attention: Director, Office of International Affairs

Tel: (202) 514-0000

FAX: (202) 514-0080