

## STATEMENT OF PROTOCOL FOR THE EXCHANGE OF CONFIDENTIAL INFORMATION BETWEEN THE ISRAEL SECURITIES AUTHORITY AND THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD OF THE UNITED STATES

The Israel Securities Authority ("ISA") in Israel and the Public Company Accounting Oversight Board ("PCAOB") in the United States each seek to improve the accuracy and reliability of audit reports so as to protect investors and to help promote public trust in the audit process and investor confidence in their respective capital markets. Given the global nature of capital markets, the ISA and the PCAOB recognize the need for cooperation in the exchange of confidential information<sup>1</sup> related to the oversight of the auditors and audit firms subject to the regulatory jurisdictions of both the ISA and the PCAOB.<sup>2</sup>

Thus, the ISA and the PCAOB agree to certain provisions and procedures for the exchange of confidential information. These provisions and procedures are as follows:

### I. Exchange of Confidential Information

Upon request, the ISA or the PCAOB may, in its respective discretion, provide to the other Party<sup>3</sup> non-public information (including confidential information) relating to auditors and/or audit firms subject to the regulatory jurisdictions of both the ISA and the PCAOB. For any exchange of such information, the Parties agree that:

- A. Requests for such information shall be made in writing (including e-mail) and addressed to the appropriate person at the requested Party<sup>4</sup> and shall explain the context in which the request is being made and an indication of the date by which the information is needed;
- B. Any such information shall only be used by the requesting Party as permitted or required by their respective authorizing instruments – which include the Sarbanes-Oxley Act of 2002 (as amended) and *The Securities Law, 1968*, and any rules or regulations promulgated thereunder;
- C. Subject to exceptions to confidentiality as detailed below, the Requesting Party, and all current and former members of its governing body,

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<sup>1</sup> The term "information" means verbal communications and/or document(s).

<sup>2</sup> Although the PCAOB expects to continue to obtain information directly from PCAOB-registered Israeli audit firms for the purposes of inspections and, if necessary, investigations, this agreement will permit the ISA and the PCAOB to share confidential information within their possession.

<sup>3</sup> The term "Party" means either the ISA or the PCAOB.

<sup>4</sup> A list of appropriate persons is attached at Annex 1.

employees, and other associated persons, shall maintain as confidential the information received from the other Party;

- D. Only individuals and entities that are independent<sup>5</sup> of the auditing profession will have access to such information.
- E. The Requesting Party has established and will maintain such safeguards as are necessary and appropriate to protect the confidentiality of the information received, including storing the information in a secure location when not in use;
- F. The Requesting Party has provided to the other Party a description of its applicable information systems and controls and a description of the laws and regulations of the government of the Requesting Party that are relevant to information access;
- G. The Requesting Party will inform the other Party if the safeguards, information systems, controls, laws, or regulations referenced in paragraphs E and F above change in a way that would weaken the protection for the information provided by the other Party; and
- H. The Requesting Party will, before complying with any legally enforceable demand it has received for such information, notify the other Party of the demand and make reasonable efforts to afford the other Party an opportunity to articulate any legal exemptions, privileges, or objections.

## II. Exceptions to Confidentiality

The Parties recognize and agree to certain exceptions to the requirement to maintain the confidentiality of any information received from the other Party in accordance with the procedures outlined above.

- A. A Party may issue public inspection reports as permitted or required by the law of that Party's jurisdiction, including reports that identify the firm inspected and the inspection results.
- B. A Party may publicly announce sanctions imposed on auditors or audit firms as permitted or required by the law of that Party's jurisdiction.
- C. A Party may share such information with certain law enforcement and/or regulatory authorities in its jurisdiction, as follows: The PCAOB may share such information only with those entities identified in section 105(b)(5)(B) of the Sarbanes-Oxley Act, which states that these entities shall maintain

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<sup>5</sup> "Independent of the auditing profession" means that the individual or entity is not a practicing auditor or affiliated with an audit firm, or a member of the governing body or staff of a professional organization.

the information as confidential and privileged. The ISA may share such information with Israeli law enforcement and Israeli regulatory authorities as required<sup>6</sup> by *The Securities Law, 1968*.


- D. The ISA will not share information with any other third party without the consent of the PCAOB, subject to section II(C) above. (Legally enforceable demand).

III. Termination

This Statement shall enter into force upon signature for an unlimited period.

This Statement may be amended by mutual agreement between the Parties.

This Statement may be terminated without cause by either Party through written notice to the other Party, but the confidentiality provisions shall continue to apply to any information shared pursuant to this Statement.

  
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Professor Shmuel Hauser  
Chairman  
Israel Securities Authority

  
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James R. Doty  
Chairman  
Public Company Accounting  
Oversight Board

Date: October 20, 2011

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<sup>6</sup> The ISA has advised the PCAOB that under section 13 of the Securities Law, the ISA is legally obligated to share information with the Attorney-General, upon his demand for purposes of a criminal trial, or with the Court, upon a Court request.

**Annex 1 – Contacts for Requests for Information**

ISA: Director of International Affairs

PCAOB: Director of International Affairs