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February 3, 2010

Subject: **Disclosure concerning credit risk, market risk, and public holdings in
Financial instruments**

Directive according to Section 36A (b) of the Securities Law, 5728-1968

I hereby announce the publication of binding version of the attached directive enclosed herewith.

Sincerely,

Prof. Zohar Goshen

Israel Securities Authority

Disclosure Concerning Credit Risk, Market Risk, and Public Holdings in Financial Instruments

Directive according to Section 36A (b) of the Securities Law, 2758-1968

Explanatory Notes

The upheaval and credit crisis that have occurred in the global markets are still having an effect on the international markets; we are witnessing the financial difficulties experienced by banks, insurance companies, investment houses, and other leading financial entities in the US and Europe.

One sector that has played a key role in recent years in the Israeli capital market is the financial instruments sector, which includes various indices products, structured bonds, etc. In view of the crisis, and in order to reduce uncertainty among the investing public, the vital importance of enhancing transparency through various disclosure requirements about the financial situation of these entities is known. The fact that the issuers of financial instruments are special purpose companies with limited economic capabilities requires greater disclosure concerning the main risks incurred in their activity. The required transparency therefore mandates detailed disclosure of the market and credit risks involved in the activity of these companies.

If the credit risk to which the issuer is exposed, mainly as a result of investing in assets that are not underlying assets, such as purchasing notes, depositing cash in banks, etc., becomes actual, it is liable to cause the issuer of the Exchange Traded Notes (hereinafter – "ETN's") to become insolvent and as a result it will not be able to meet its obligations to the investing public. Credit risk and the way it is managed therefore constitute an important item for a reasonable investor considering the purchase or sale of a financial instrument.

Disclosure concerning exposure to market risks is important to the same degree. In this case, issuers of financial instruments are required to disclose the market risk for each ETN resulting from the nature of the activity of these companies, which are obligated to

maintain a ratio of assets to obligations of at least 100%. It should be emphasized that this disclosure requirement is in addition to the disclosure required under the second addendum to the Securities Regulations (Periodic and Immediate Reports), 1970.

To all these, the directive adds the frequent disclosure requirement of information about the volume of the public holdings in each ETNs issued. Information about the public's total holdings of financial instruments is important to the public for the purpose of evaluating the marketability of these ETNs. Such information is likely to help an investor make better-informed investment decisions and more accurate assessments of the value of the assets managed by the issuing entity, both before purchasing a financial instrument and in deciding whether to continue holding it or to sell it.

Given the above, the required disclosure in the directive shall be reported on a number of levels:

- At the monthly reporting level, the issuer of the financial instrument is required to disclose, among other things, the volume of the public holdings for each ETN that it issued. The issuer is also required to disclose on an on-going basis the sources of the credit risk and the market risk to which he is exposed.
- At the quarterly reporting level, the issuer of the financial instrument is required to provide, among other things, information about the relevant credit risks, including a quantitative description of these credit risks. In addition, the issuer is required to describe the relevant market risks. This description shall include a description of the segmentation of types of the backing assets, sensitivity tests due to changes in the market factors, and a fair value of the risk (VaR) separately for each financial instrument.
- At the annual reporting level, in addition to the thorough disclosure of the relevant credit risks, the issuer is also required to provide detailed qualitative information about credit risk management policy and information about the credit risk incurred by the entities to which it is exposed.

A material change in the credit risk – in a series of ETN's, a company, or the managing entity – shall be reported immediately. The duty to issue an immediate report shall also apply to situations like a change in the company's credit risk management policy, or actual exposure of the company to a new source of credit risk that is not a reporting banking corporation.

The directive establishes the disclosure requirements in a way that such particulars shall be available to the investing public in a uniform and comparable structure. Nothing in this directive shall detract from a reporting duty where such a duty exists according to law.

Given the experience accumulated in implementing the directive up until now, it has been decided to extend a number of disclosure requirements included in the directive, and the necessary adjustments have been made. Among other things, the disclosure requirement for leveraged ETN's has been broadened, the exposure profile and the way the indices products are classified have been added, and the disclosure requirements for the source of credit risk have also been extended.

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Israel Securities Authority

Disclosure Concerning Credit Risk, Market Risk, and Public Holdings in Financial Instruments

Directive according to Section 36A (b) of the Securities Law, 5728-1968

The party offering a financial instrument to the public (hereafter – “**Series of Exchange Traded Notes** (hereinafter – “**ETN’s**”)” and “**the Company**”, whichever is relevant), is required to report as stipulated in this directive.

In this directive –

“Managing entity” – a group of companies managing a business of issuing financial instruments in the framework of a single investment house;

“Related entity” – as defined in the Security Regulations (Underwriting), 2007;

“Rating for a source of credit risk” – for an entity with an Israeli rating – the lowest rating published by an Israeli rating company, if such a rating exists; for an internationally rated entity – the lowest rating published by an international rating company, if such a rating exists;

“Volume of exposure in terms of delta” – the exposure in NIS caused by incomplete coverage of the liabilities resulting from the ETN, following a change of one point in the value of the index;

“Valuation of an ETN” – A valuation of the liability incurred from an ETN according to the accepted models;

“International rating companies” – Moody’s, S&P, Fitch;

“Israeli rating companies” – Maalot and Midroog;

“Rating companies” – the Israeli rating companies and the international rating companies;

“Synthetic future” – refers to buying/writing a call option (purchase option) and writing/buying a put option (sale option) at the same exercise price and repayment date as

a deposit or a loan at a risk-free interest rate amounting to the exercise price, discounted at the risk free interest rate;

“Nostro account” – every account of the managing entity that is not the series account, including accounts held by companies under its control;

“Series account” – an account in which the backing assets for the issuer’s obligations to the public holding the ETNs are deposited;

“The CDS price” – the CDS price quoted in information systems, e.g. Bloomberg or Reuters;

“The ETN’s price on the Tel Aviv Stock Exchange (TASE)” – the most recent closing price of the ETN published by the TASE for a given date;

“Indices products” – ETNs (exchange traded notes), commodity ETNs, short ETNs, complex ETNs, covered warrants as defined in the TASE Regulations or according to them or in the temporary instructions of the TASE, and including deposit certificates, contract certificates, and any other security with similar characteristics;

“Structured product” – a certificate of obligation issued by a special purpose company designed primarily to hold financial assets for covering a company’s obligations resulting from the certificate of obligation that it issued;

“Financial instruments” – indices products and structured products;

“Source of credit risk” – an entity in respect of which the company is exposed to credit risk, including for the funds deposited in it, the purchase of notes from it, or lending assets to it, and an entity designated by the company as an available alternative to one of the sources of its credit risk;

“Underlying asset” – as defined in Section 52A of the Securities Law, 5728 - 1968;

“Backing asset” – assets in the series of ETNs designated according to the provisions of the relevant prospectus for guaranteeing that the company’s obligations under this series will be met;

“Value at Risk” – VaR, as defined in the second addendum to the Securities Regulations (Periodic and Immediate Reports) (1970) (hereafter – “**the periodic and immediate reports regulations**”);

“Leveraged ETN” – an ETN whose conversion formula includes a leverage coefficient, whether or not the leverage level in it reverts to the level stipulated in the prospectus on fixed dates, and excluding reverse index tracker ETN as defined in the TASE Regulations or according to it.

“Dormant ETNs” – ETNs of the company held by a subsidiary of the company, or ETNs conferring on their holder more restricted rights than those conferred on the other holders;

“CDS” – credit default swap;

“ETF” – exchange traded fund – a marketable mutual fund that tracks an index, subject to the laws and rules governing mutual funds in the relevant country;

“Note” – an obligation from a third party that pays the bidder payments the value of which is derived from the underlying asset of the relevant financial instrument;

“OTC” - over the counter – any transaction that does not take place through a stock exchange.

1. Monthly Reporting – Public Holdings and Credit Risk

1.1 Public Holdings

The following data shall be displayed in table form separately for each series of ETNs, and shall be reported in a monthly format for the last day of each month. Comparison data published in the preceding month will be displayed next to them, no later than five trading days after the end of each month.

- a. Name of the ETN
- b. Number of the series on the TASE
- c. The index for reference or the tracking asset for reference

- d. Major economic characteristics of the ETN, including the level of leverage, type of complexity, direction of the exposure to the index, currency exposure, etc.
- e. Classification of the ETN according to **Appendix A**.
- f. Exposure profile of the source of credit risk according to **Appendix B**.
- g. Date of initial registration of the series on the TASE
- h. Total par and issued value of the series of ETNs
- i. Total par and issued value of the dormant ETNs from the series of ETNs
- j. Total par and issued value of the ETNs from the series of ETNs that are not dormant
- k. Valuation of the ETN
- l. Price of the ETN on the TASE
- m. Monetary value in NIS of all the ETNs from the same series of ETNs that are not dormant ETNs, according to their price on the TASE
- n. Par value of the net accumulation for a series of ETNs during the stipulated period

For the purpose of this sub-section, “net accumulation” means the change in the balance of par value of the series of ETNs that are not dormant ETNs on the last day of the calendar month, minus the balance of par value of the series of ETNs that are not dormant ETNs on the last day of the preceding calendar month.
- o. Net accumulation for the series of ETNs in NIS during the stipulated period

For the purpose of this sub-section, “net accumulation” means the par value of the net accumulation for the series of ETNs during the stipulated period, multiplied by the TASE price of the ETN as of the last day of that month.
- p. Average daily turnover for the series of ETNs in NIS during the period of the monthly report

1.2 Credit Risk

The following data shall be displayed in table form separately for each series of ETNs and with respect to the nostro account, and shall be reported in a monthly format for the last day of each month. Comparison figures published in the preceding month will be displayed next to them, no later than fifteen days after the end of each month.

The following particulars shall be listed for each relevant source of credit risk:

- a. The name of the source of the credit risk
- b. The rating of the source of the credit risk
- c. The total exposure to the credit risk in NIS and in percentages. This exposure shall be set forth for all the credit risks, including for cash deposits, coverage for indices products, lending, coverage for notes, activity in derivatives, deposits of collateral, and loans.

The above data shall be displayed in separate tables, as follows:

1. At the level of the managing entity
2. At the company level
3. Separately for each series
4. For the nostro accounts, separately at the level of each company

2. Quarterly Reporting – Credit Risks, Market Risks, and Fair Value of Risk

The following data shall be displayed in table format separately for each series of ETNs, and also at the level of the company or managing entity when this is explicitly required, and shall be reported in the company's quarterly statements as of the last day of each quarter:

2.1 Credit Risks

- a. A quantitative description of the relevant credit risks for the activity being conducted – at the level of the series of ETNs, at the level of the company and the nostro accounts, and the level of the managing entity

This quantitative description shall include the following particulars for each source of credit risk:

- 1) The name of the source of credit risk
 - 2) The rating of the source of credit risk
 - 3) The exposure profile of the source of credit risk, according to **Appendix B**
 - 4) The total exposure to credit risk in NIS and percentages, with a detailed list of this exposure for the various credit risks, including for cash deposits, coverage for indices products, lending, coverage for notes, activity in derivatives, deposits of collateral, and loans.
- b. The following shall be noted for each source of credit risk: its rating by each of the rating companies, if such rating exists; the CDS prices for a one-year period and a five years period for both the source of credit risk and its holding company, if there is one; and the highest CDS prices for a one-year period and a five years period over the past 12 months for the source of the credit risk and its holding company, if there is one.
- c. If the credit risk is for a cash deposit, the type of account in which the money is deposited and deposit period shall be noted. If the deposits are for a period of more than three months, the size of the deposits for a period of more than three months for that source of credit risk shall be noted separately.
- d. If a number of sources of credit risk are related entities, a quantitative aggregate description of the credit risk for those related entities, as described in this section (2.1) shall also be reported.
- e. If the company believes that the credit risk on the reporting date does not reflect the credit risk during the relevant reporting period, other data reflecting the credit risk as of the reporting date shall also be provided, according to description stipulated in this section (2.1).

2.2 Market Risks and Value at Risk

- a. Name of the ETN
- b. Reference index or tracking asset for reference
- c. Important economic characteristics of the ETN, including the level of leverage, type of complexity, direction of the exposure to the index, currency exposure, etc.
- d. The type of backing asset or obligation, including cash and deposits in banks or stock exchange members in Israel, cash and deposits in overseas banks or stock exchange members, foreign currency forward transactions, zero-coupon bond ("Makam"), underlying assets included in an index according to their weights in it, over the counter forward contracts (including synthetic ones, such as swap transactions), notes, a deposit linked to the underlying asset, ETFs, indices products, and other financial instruments

If the backing assets are securities that are not included in the reference index, this shall be noted separately.

If the backing assets are not listed among the backing assets in this section (2.2), they shall be described separately.

- e. The fair value in NIS of each asset or commitment listed in the preceding section (d). If an exchange rate was used to determine the fair value, its value and the date on which it was set shall be noted.
- f. Sensitivity tests resulting from changes in market factors with respect to the fair value of the assets and obligations, as explained in the preceding section (e), in the format stipulated in Section 2f of the second addendum to the Securities Regulations (Periodic and Immediate Reports), and with the necessary changes.
- g. The extent of the exposure in delta terms for the underlying asset shall be noted for each asset and obligation, as stated in Section d above.
- h. Stress testing under the accepted models and according to the characteristics of the ETNs

- i. Value at risk (VaR) for the series of ETNs, according to the accepted models. This value shall be reported in NIS and in percentages of total backing assets for the series of ETNs. If the model for calculating this value and the assumptions on which it was based differ from those reported in the periodic statement, this shall be explicitly noted, and shall be accompanied by a detailed explanation.

For the purpose of this sub-section, “series of ETNs” – including a nostro account.

- j. A literal explanation shall be provided for the measuring results in the above sections, and a qualitative analysis of the company’s management concerning suitability of these results to the company’s risk management policy.

3. Annual Reporting – Credit Risks and Market Risks

3.1 Credit Risks

- a. A qualitative description of the credit risk management policy of the company and the managing entity, and a list of the types of the company’s activity that incur credit risk, including for cash deposits, indices products, lending, coverage for notes, activity in derivatives, deposit of collateral, and loans.

As part of this, the policy of the company and the managing entity shall be explained with reference to the following parameters:

- 1) The credit rating and CDS price of the sources of credit risk, including company policy on evaluation of the CDS prices of the sources of credit risk in comparison with the CDS prices of the holding companies, if there are any. The degree of reliance on these parameters shall also be set forth in detail, including the way the company referred to these parameters and was satisfied with its activity involving the sources of credit risk.
- 2) Dispersal of the credit risks

- 3) Reporting of the source of the credit risk or various published reports about it, the frequency with which they are checked, and the degree of reliance on them.
 - 4) The country of incorporation of the source of the credit risk, it's rating by each of the international rating companies, if such ratings exist, and the degree of reliance on these parameters.
 - 5) The degree of liquidity and its effect on the way the company manages its risk, including whether the company has available and immediate alternatives to the source of credit risk for the purpose of fulfilling its legal obligations, and whether the company is exposed to penalties or costs for closing the position from which the credit risk resulted.
 - 6) Any other parameter examined by the company in its credit risk management.
- b. A separate detailed report shall be provided for each source of credit risk that is not a reporting banking corporation, as follows:
- 1) The credit rating given by each of the rating companies.
 - 2) The country of incorporation, if a corporation is involved, and how it was rated by each of the international rating companies, if such ratings exist. If the source of the credit risk was a supervised entity, these particulars shall also be provided for the country in which the supervisory agency is located.
 - 3) The CDS prices for a one-year period and five-year period of the source of the credit risk and its holding company, if there is one.
 - 4) The highest CDS prices for a one-year period and five-year period during the past 12 months of the source of the credit risk and its holding company, if there is one.
 - 5) A graph of the CDS prices for a one-year period and five-year period during the past 12 months of the source of the credit risk and its holding company, if there is one. This graph shall be displayed together with a

comparative graph of CDS prices of five leading banking corporations whose CDS price is lower than the average of banking corporations at their level.

- 6) The share price of the source of the credit risk and its holding company, if there is one, if these are corporations listed for trading.
 - 7) The highest and lowest share prices during the past 12 months of the source of the credit risk and its holding company, if there is one, if these are corporations listed for trading.
 - 8) A graph of the share price over the past 12 months of the source of the credit risk and its holding company, if there is one, if these are corporations listed for trading.
 - 9) The initial capital adequacy ratio, if a banking corporation, the shares of which are listed for trading on a regular stock exchange, is involved.
- c. Information shall be provided in accordance with the stipulations of Sections 2.1 (a), (c), (d), and (e) above with the necessary changes.

3.2 Market Risks

Information shall be provided according to the stipulations of Section 2.2 above, with the necessary changes.

4. Immediate Reporting

In addition to every case in which it is legally required, immediate reporting shall also be provided in the following cases:

4.1 Public Holdings

- a. Whenever the issuer is convinced that the total par and issued value of the dormant ETNs will not allow him to meet demand from the investors for ETNs.
- b. The following data for the past trading day shall be reported at the end of each trading day, no later than the beginning of the following trading day, for each leveraged ETN:

- 1) The total par and issued value of the dormant ETNs in the series of ETNs;
- 2) The total par and issued value of the ETNs in the series of ETNs that are not dormant ETNs;
- 3) The monetary value in NIS of the dormant ETNs, according to their price on the stock market;
- 4) The monetary value in NIS of all the ETNs from that series of ETNs that are not dormant ETNs, according to their price on the stock market.

4.2 Credit Risks

- a. If a significant change in the credit risk of the series of ETNs, the company, or the managing entity has taken place, including:
 - 1) A change in the company's credit risk management policy, as explained in Section 3.1(a) above.
 - 2) Actual exposure of the company to a source of credit risk that is not a reporting banking corporation, and which was not reported as an actual source of credit risk in the preceding report. The immediate report shall include, among other things, all the information that the corporation is required to display in the framework of its annual report on the credit risk factor, as explained in Section 3 above.
 - 3) A change in the exposure profile of the ETN, according to Appendix B.
- b. The credit risk management policy under which the company operates, as of the end of the quarter, shall be reported quarterly. The changes that occurred in this policy since the most recent reporting date, if any, shall be described. The report shall be issued separately on the date on which the report according to Section 1.2 above was issued.

5. Incidence

- a. The amended directive is in effect from February 3, 2011.

Appendix A

Rules for Classifying Indices Products

A list of descriptive headings for the purpose of classifying indices products

Indices products shall be classified according to their descriptive heading, which shall include an overall heading, a main heading, and a sub-heading. The classification shall be determined according to the most suitable descriptive heading, taking into account the underlying asset of the index product.

<u>Overall Heading</u>	<u>Main heading</u>	<u>Sub-Heading</u>
Shares in Israel	Shares Index	TA 25
		TA 75
		TA 100
		TA Composite
		TA Yeter – Rest of Shares
		Shares index in country - other
	Shares According to Sectors	TA Banks
		TA Insurance
		Tel Tech 15
		TA Finance 15
		TA Real Estate 15
		Other
	Overseas Shares	Geographic Shares Index
America Emerging		
Europe Developed		
Europe Emerging		
Asia Developed		
Asia Emerging		
Other Developed		

		Other Emerging
	Overseas shares index according to sectors	(No selection option)
Commodities	Commodities	Commodities Index
		Other
Short, Leveraged, and Strategic	Long in Israel	Daily
		Monthly
		Quarterly
		Without Balance Date
		Other
	Long Overseas	Daily
		Monthly
		Quarterly
		Without Balance Date
		Other
	Short in Israel	Daily
		Monthly
		Quarterly
		Without Balance Date
		Other
	Short Overseas	Daily
		Monthly
		Quarterly
		Without Balance Date
		Other
Coverage Options	Put	
	Call	

Bonds in Israel - State	Shekel	(No selection option)
	Index-Linked	Short-Term Index-Linked (up to 2 years)
		Medium-Term Index-Linked (2-5 years)
		Long-Term Index-Linked (5+ years)
Other	(No selection option)	
Bonds in Israel - Corporate	Shekel	Ordinary Investment Grade
	Index-Linked	Speculative Investment Grade
	Other	Un-rated
Overseas Bonds - State	Dollar	(No selection option)
	Euro	(No selection option)
	Other	(No selection option)
Overseas Bonds - Corporate	Dollar	(No selection option)
	Euro	(No selection option)
	Other	(No selection option)
Indices Basket	Bonds	At Least 90% Bonds
		At Least 80% Bonds
		At Least 50% Bonds
		Other
	Other	(No selection option)
Certificate of Deposit	Shekel	Quarterly
		Monthly
		Daily
		Other
	Foreign Currency	Dollar
		Euro
		Other

Appendix B

Rules for Classifying an Exposure Profile

List of exposure profile symbols for classifying indices products

The exposure profile of each index product shall be denoted through three characters, as follows:

- a. The maximum exposure rank of the ETN for shares (symbol: digits from 0 to 6);
- b. The maximum exposure rank of the ETN for foreign currency (symbol: letters from 0 to E);
- c. The maximum exposure rank of the ETN for credit risks (symbol: letter from 0 to c’).

The symbol shall be according to the directive of sections a through c above, from left to right.

Details of the categories:

- a. Rank of the maximum exposure to shares
 1. The rank of the maximum exposure to shares shall be determined by the rate of exposure of the ETN to shares, as reflected in the ETN’s conversion formula, according to the table below.
 2. For an ETN classified as an “indices basket” the rate of exposure to shares shall be determined by the balancing weights set in the ETN’s conversion formula.
 3. For an ETN classified as a “short in Israel” or an “overseas short,” the rate of exposure to shares shall be determined by the maximum possible leverage in the ETN.

Symbol	
0	The rate of the absolute value of the exposure of the ETN to shares is 0 (no exposure).
1	The rate of the absolute value of the exposure of the ETN to shares is up to 10%.

2	The rate of the absolute value of the exposure of the ETN to shares is up to 30%.
3	The rate of the absolute value of the exposure of the ETN to shares is up to 50%.
4	The rate of the absolute value of the exposure of the ETN to shares is up to 120%.
5	The rate of the absolute value of the exposure of the ETN to shares is up to 200%.
6	The rate of the absolute value of the exposure of the ETN to shares is more than 200%.

b. Rank of the maximum exposure to foreign currency

The rank of the maximum exposure to foreign currency shall be determined by the ETN's rate of exposure to foreign currency, as reflected in the ETN's conversion formula, according to the table below.

Symbol	
0	The rate of the absolute value of the exposure of the ETN to foreign currency is 0 (no exposure).
A	The rate of the absolute value of the exposure of the ETN to foreign currency is up to 10%.
B	The rate of the absolute value of the exposure of the ETN to foreign currency is up to 30%.
C	The rate of the absolute value of the exposure of the ETN to foreign currency is up to 50%.
D	The rate of the absolute value of the exposure of the ETN to foreign currency is up to 120%.
E	The rate of the absolute value of the exposure of the ETN to foreign currency is up to 200%.
F	The rate of the absolute value of the exposure of the ETN to foreign currency is more than 200%.

c. Rank of the maximum exposure to credit risk

1. The rank of the maximum exposure to credit risk shall be determined by the rate of exposure of the backing asset for the ETN, according to the table below.
2. The rank of the maximum exposure to credit risk of a ETN using another ETN as a backing asset shall be determined according to the credit risk exposure profile of the held ETN, while the rank of the maximum exposure of the ETN holding another ETN shall not be 0 unless the exposure to these ETNs is not significant according to the investment policy.

Symbol	
0	Under the investment policy, the ETN has no significant exposure to credit risk.
A	Under the investment policy, significant exposure to credit risk will be restricted to financial institutions in Israel with a high debt rating only .
a'	Under the investment policy, significant exposure to credit risk will be restricted to financial institutions in Israel and overseas with a high debt rating only .
B	Under the investment policy, significant exposure to credit risk will be restricted to financial institutions in Israel with an intermediate or higher debt rating only .
b'	Under the investment policy, significant exposure to credit risk will be restricted to financial institutions in Israel and overseas with an intermediate or higher debt rating only .
C	Under the investment policy, significant exposure to credit risk is permitted for financial institutions in Israel that are un-rated or have a low debt rating.
c'	Under the investment policy, significant exposure to credit risk is permitted for financial institutions in Israel and overseas that is un-rated or has a low debt rating.

“**Significant exposure to credit risk**” – exposure of the backing asset for the ETN to credit risk of a financial institution or state of Israel bond risk, in excess of 5% of the backing asset for the ETN, or in excess of an amount equal to half the company’s equity, as published in the company’s most recent financial statements, whichever is lower.

For purposes of this definition, exposure to credit risk for a TASE member with respect to on-call lending according to the rules stipulated in the TASE Regulations, and which does not exceed 10% of the backing asset for the ETN, shall be classified according to the debt rating of the TASE member or the parent company of the TASE member.

“**High debt rating**” – a rating set as a high debt rating according to parameters determined in the company’s investment policy, provided that in any event, the rating granted by the rating agencies shall not be less than the long-term rating, as follows: a local rating of at least AA- by S&P Maalot or a rating of at least Aa3 by Midroog, provided that if the rated financial institution also has a short-term credit rating, that rating shall not be less than A-1 by Maalot or P1 by Midroog, or an international rating of AA- by S&P or Fitch, or an international rating of Aa3 by Moody’s; and for on-call

lending with a bank/TASE member in Israel according to the rules stipulated in the TASE Regulations, and for cash holdings, a short-term rating of at least A-1 by S&P Maalot or a rating of at least P1 by Midroog. It is hereby clarified that if a short-term rating is not published for the bank/TASE member with which the lending is conducted, or by which the above-mentioned cash is held, the long-term rating of that entity shall be evaluated.

“Intermediate debt rating” – a rating set as an intermediate debt rating according to parameters determined in the company’s investment policy, provided that in any event, the rating granted by the rating agencies shall not be less than the long-term rating as follows: a local rating of at least BBB by S&P Maalot or a rating of at least Baa2 by Midroog, or an international rating of at least BBB by S&P or Fitch, or an international rating of at least Baa2 by Moody’s, and for on-call lending with a bank/TASE member in Israel according to the rules stipulated in the TASE Regulations, and for cash holdings, a short-term rating lower than A-1 and no lower than A-2 by S&P Maalot, or a short-term rating lower than P1 and no lower than P2 by Midroog. It is hereby clarified that if a short-term rating is not published for the bank/TASE member with which the lending is conducted, or by which the above-mentioned cash is held, the long-term rating of that entity shall be evaluated.

“Low debt rating” – A long-term rating as follows: a local rating lower than BBB by S&P Maalot or a rating lower than Baa2 by Midroog, or an international rating lower than BBB by S&P or Fitch, or an international rating lower than Baa2 by Moody’s, and for on-call lending with a bank/TASE member in Israel according to the rules stipulated in the TASE Regulations, a short-term rating lower than A-2 by S&P Maalot or a short-term rating lower than P2 by Midroog.