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12 Kislev, 5769
December 10, 2008

Re: **Disclosure on description of indices in index products**

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

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

Prof. Zohar Goshen

Israel Securities Authority

Description of Indices in Index Tracking Products

Directive pursuant to Section 36a (b) of the Securities Law 5728-1968

Explanatory Notes

The development and increased sophistication of global capital markets has led to the development of many new financial instruments. Among these instruments, Exchange-Traded Notes (ETNs) constitute the primary investment product for private and institutional investors. To date, over 360 ETNs have been issued on the Israeli capital market. These ETNs manage over NIS 30 billion in assets, and account for 25% of the daily trading volume on the TASE. In addition to ETNs, many other financial instruments are available to the public; these are basically legal commitment certificates, such as deposit certificates, structured bonds, complex ETNs, short ETNs, Commodity ETN, and others.

This Disclosure constitutes important information for reasonable investors facing an investment decision. The proposed format defines the information contained in such disclosure, and ensures that the information is available to the investor public in an organized comparable manner when making an investment decision in index-based products in general and in ETNs in particular. Whenever a material change in the information occurs between the date the periodic report was drafted and its publication date, the disclosure shall include information on said change, which shall be accompanied by the appropriate explanations. **We stress that the list of information presented in this directive does not constitute an exhaustive list. Companies must constantly examine whether additional information or elements, if any, constitute important information for reasonable investors who are facing an investment decision, as set forth in Section 36 of the Law.**

It is important to note that the disclosure requirement set forth in the directive is the product of the ISA's cumulative experience regarding the information required by reasonable investors facing an investment decision, which was developed and is a

requirement for disclosures of index-product issuers' prospectuses and periodic reports.

Israel Securities Authority

Description of Indices in Index Products

Directive pursuant to Section 36a (b) of the Securities Law, 5728-1968

Offerers of series of index products to the public (hereinafter, “**the Offeror**”, “**the ETNs**” or “**the ETN**” as the case may be) shall disclose separately the following details in respect to each underling index embodied in the ETN, pursuant to the provisions of this directive.

For the purpose of this directive —

“Stock exchange” - as defined in Section 50a of the Securities Law 5728-1968;

“Primary stock exchange” – The stock exchange on which the index’s relevant underlying assets are traded and in respect of which the index is calculated;

“The Company” – the entity that issues the index product;

“The estimated value of an ETN” - an estimate of the commitment embodied in the ETN pursuant to the directives of the Israeli Security Authority that came into effect on March 16, 2008 on “disclosure of information used to estimate the value of ETNs and index products in immediate reports.”

“The Price Index” – The index that contains no adjustments by the index provider to the proceeds received from index assets, including dividend and interest payments;

“The Investment Index” – The index including adjustments made by the index provider in respect of dividend distributions or interest (in shares or bonds,

respectively) paid by or on each index asset, as if they were reinvested in the index's underlying assets;

“Index Product” – corresponds to the meaning of this term in the Tel Aviv stock exchange regulations or in the temporary directives; including convertible deposit certificates.

“Underlying Asset” – The assets or securities whose changes therein are used to calculate the index;

“Regulated Market,” as defined in the Law of Joint Investments in Trust 5754-1994;

“Dormant ETNs” – ETN's held by the Company's subsidiary or ETNs that do not confer any rights to their holders.

1. Periodic Reporting

1.1 The information set forth in section 1.3 hereinafter shall be reported in periodic reports in respect of the date on which the reporting year ended.

1.2 Whenever a material change occurs in the information, between the date on which the reporting year ended and the publication date of the periodic report, a report shall also be issued on the said change, accompanied by appropriate explanations.

1.3 Following are the information on ETNs that must be disclosed in periodic reports:

General Information

- A. Name of the index.
- B. Details of the official website on which the index is published.
- C. Identity of the index provider and a general description of the scale of his operations in the field of index calculation.
- D. Identity of the index calculation agent and a general description of the scale of his operations in the field of index calculations.
- E. The relevant primary stock exchange.

- F. Details of the conditions of the Company's license to use the index, including note of the Company's exclusivity to use the index.
- G. Whether the index is a price index or an investment index, including a definition of an investment index and the conditions for calculating adjustments, or an explanation of a price index, as the case may be.

Index Currency

- H. The currency used to calculate the index (hereinafter, "**the Reference Currency**").
- I. If the Reference Currency is not the new Israeli shekel, the following information shall be reported about the country that issues the Reference Currency: name of the country, rating, reference to the country's official website containing the country's macroeconomic data.

Base Data

- J. The determination date of the base index, the date on which calculation of the index commenced, and the index values on those dates.

Calculation Method

- K. Details of the methodology used to calculate the index, including the criteria for adding or removing underlying assets to or from the index, criteria for changing the proportions of the underlying assets, restrictions on proportions, adjustment of the assets to the proportion restrictions, restriction on the proportion of any single asset in the index, and the frequency in which the index is updated. In indices where the underlying asset is a share-based index, the minimal market value per share and minimal marketability per share shall be noted. The minimal share of public holdings in the underlying asset, as the case may be, shall also be noted. Furthermore, information shall include reference to a complete description of the methodology on the official index website.
- L. A brief description and explanation of the index calculation formula.
- M. Frequency the index is calculated.
- N. Frequency the index is revised – the dates on which the index is revised, and the date from which the revised index is in effect shall be reported.

O. The date and time of the index's publication.

Index Assets

P. Details of the names of the assets included in the index, including bonds and commodities and their proportions; alternatively, reference to the details of this information on the index's official website.

Tables and Graphs

Q. A report in tabular form of the following information for the reporting period and for each of the five years preceding the reporting period, or any shorter period in respect of which the following information is available:

- a. The index yield.
- b. The index's highest and lowest rate.
- c. The index's daily standard deviation.
- d. For indices whose underlying asset is a price index-type share-based index – the dividend yield.
- e. Any of the above information that is not available to the Company shall be highlighted.

R. A daily graph of the index rate, based on data in the reporting period and in each of the five years preceding the reporting period or a shorter period in respect of which the following information is available, according to the index value in the Reference Currency.

For the purpose of this section, if the Offeror wishes to compare these data, either in entirety or in part, to another benchmark index, the Offeror will also describe all the above data in respect of the benchmark to which the index is being compared.

Derivative Index

S. If the index is derived from one or more indices, the main information set forth above shall also be presented in respect of the said other indices.

2. Quarterly Report

Any changes that occurred in paragraphs A-O set forth in section 1.3 above shall be reported in the relevant quarterly report, accompanied by explanations and notes.

3. Immediate Report

The Company shall publish an immediate report, among other things, when it first becomes aware of any changes in paragraphs A-O in section 1.3 above, accompanied by explanations and notes.