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10 December 2008
A/85-25

Re: **Disclosure regarding financial and other details concerning 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 attached directive enclosed herewith.

Professor Zohar Goshen

Israel Securities Authority

Financial and Other Details concerning Index Products

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

Explanatory Note

The development and increased sophistication of global capital markets has led to the development of many and new financial instruments. Index products have taken a key position in Israel – products which include, among others, exchange-traded notes, deposit certificates, complex ETNs, short ETNs and commodity ETNs (hereinafter – "ETNs"). As of the current time, more than 360 index products have been issued on the Israeli capital market, with an asset size of some 30 billion NIS.

The directive regulates the disclosure requirements, for various details specified therein, with respect to periodic reports and quarterly reports, such that these items will be available to the investing public in a uniform and comparable structure. Thus, for example, the proposed specification will allow an investor to receive data regarding the scope of the public's holdings of the ETNs, for the purpose of assessing the potential tradability of particular ETN, and to compare those conditions with those of other ETNs. Another example of the specification required is that of the ETNs conversion formula, which allows the investor to examine each of the items included in the conversion formula and to compare them with the parameters used for other ETNs.

When there has been a significant change in data between the date on which a report is prepared and the date on which it is published, the change will also be reported, with the accompaniment of appropriate explanations.

The disclosure requirement set out in this directive is the result of the ISA's accumulated experience regarding the nature of the information that a reasonable investor making an investment decision, as formulated in the framework of the disclosure included in the

prospectuses published by the issuers of the financial instruments. Of course, nothing in this directive will detract from a reporting duty where such a duty exists pursuant to any law.

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Israel Securities Authority

Financial and Other Details concerning Index Products

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

A party offering an index product to the public (hereinafter: the “**Note**” and the “**Offeror**” as is relevant) shall provide reports as described in this directive.

In this directive –

“Index product” – as the term is defined in the Stock Exchange regulations, or pursuant to them, or in the temporary directive, and including a convertible deposit certificates;

“Underlying asset” – as defined in section 52A of the Securities Law;

“Investment index” – an index in which adjustments are made with respect to the distribution of dividends or of interest (for shares or bonds, as relevant) from any of the index assets, as if such had been re-invested in the index assets.

“Price index” – an index in which no adjustments are made for the income from the index assets, including dividends or interest.

“Dormant ETNs” – ETNs held by the company’s subsidiary or which do not grant rights to their holders.

“ETNs valuation” – a valuation of the commitment involved in a ETNs, in accordance with the ISA directive that entered into effect on 16 March 2008 dealing with “Disclosure

Regarding Valuation Data for Exchange-Traded Notes and Index Products, in Immediate Reporting.

“Regulated market” – as defined in the Securities Law, 5728 – 1968.

“Effective cost to the investor” – as the term is defined in the ISA’s directive dealing with the Effective cost to investors in ETNs vs. direct investment in underlying assets”.

Chapter 1 – Summary of the ETNs Terms

1.1 Details in the report

The following details will be provided in table form and will be reported separately for each series of ETNs.

General

- a. The series number as published by the Stock Exchange.
- b. The name of the Note as published by the Stock Exchange.
- c. The type of ETN, in accordance with the Tel Aviv Stock Exchange classification (ET N, complex ETN, short ETN, or commodity ETNs, etc).
- d. The date of publication of the prospectus in which the ETN was first offered and the total nominal value listed for trading in the context of such prospectus, and if the ETNs do not have a nominal value, the total number of units listed for trading in the context of such prospectus.

If a particular series has been enlarged, the report will provide the date of the enlargement and the total nominal value or total number of units, whichever is relevant, that were added through additional prospectuses, and the total nominal value or total number of units, whichever is relevant, as of the date of the enlargement.

Summary of the ETN’s Terms

- e. A summary description of the ETN’s terms.

- f. An indication of the ETN's conversion formula and the parameters that comprise it.
- g. A specification of the ETN's underlying asset, and in addition:
 - 1. The report will have attached to it a reference to the text of the document in a periodic report or a reference to the last periodic report in a quarterly report, which has provided additional, detailed reporting regarding the underlying asset.
 - 2. To the extent that the underlying asset is an index, the report will indicate whether it is an investment index or a price index. The report will also indicate the party that edits the index, the website on which the value of the said index is published, and the frequency with which it is updated.
 - 3. If the underlying asset is traded on a regulated market, the report will indicate where it is traded and the website on which its value is published.
- h. The ETN's expiration.
- i. The classification of the ETN's linkage on the stock exchange (index-linked, foreign currency-linked, unlinked).
- j. A description of the issuer's commitment regarding any future payment beyond the value of the underlying asset, if there is such. If there is a commitment that varies subject to the type of cover that is used, this fact will be indicated and the differences between the various circumstances will be specified.

If the issuer's undertaking is dependent on the results achieved or the type of cover that is used, the report will clearly indicate this risk, along with detailed explanations.
- k. A description of the effective cost to the investor as of the date of the report, and a specification of the range of possible costs.
- l. If the ETN has an underlying asset which is a price index type of share index, the report will indicate the dividend yield for the reporting period and for the five calendar years preceding it.

If these details cannot be provided because the dividend data are not published on a recognized information system, this fact will be clearly noted.

Conversion

- m. A description of the conversion fee on the report date and a description of the range of possible conversion fees.
- n. A description of the holder's right to conversion or to early payment, including any limitations on such right. The report will indicate whether it is a right to conversion or payment in kind or for cash.
- o. A description of the company's right to conversion or to early payment.

Independent equity and legal obligations

- p. A description of the size of the company's independent equity, of the alternative in the Stock Exchange regulations regarding minimal independent equity required of the company for the purpose of compliance with the Stock Exchange rules that is used, and the balance of independent equity that the company is obligated not to distribute.

Investment policy and collateral assets

- q. Details regarding the company's investment policy regarding the ETN or in general, including the amount of maximum exposure that has been approved by a functionary within the company in the framework of this policy. The report will also describe any circumstances – if there are such – in which the amount of the exposure had, in actuality, during the reported period, deviated from the said maximum exposure amount.
- r. A description of the type of collateral assets in which the company is permitted to invest, and the limitations on investment in these, to the extent there are such limitations.
- s. A description of the collateral assets in which the company invests. If, in the company's view, the data as of the reporting date are substantially different from the data as they were during the reported period, the difference will be explained and the data that do reflect, to the extent possible, the reported period, will be presented.
- t. A qualitative and quantitative description of the credit risks to which the company is exposed as a result of its holding of the collateral assets. The company will

describe, separately and cumulatively, all the credit risks, including any risk arising by virtue of cash deposits, lending, and purchase of securities, as well as the overall credit risk with regard to the party to which the company is exposed.

Lending

- u. A description of the company's lending policy, including the parties through which the lending is carried out and the credit rating of such entities. The report will also specify the total amount of the lending and the income with respect to such.
- v. The report will include a specification of data regarding any deviation from the lending policy and/or a description of the scope of the lending and the identity of the borrower if the lending to a single borrower is 5% or more of the total liabilities with respect to issued and non - dormant ETNs.

Market-making

- w. The report will include an indication as to whether there is or is not an obligation to be a market maker, with an indication of the source of the obligation, including whether it is derived from stock exchange regulations or the offering prospectus, and a description of the main points of the said obligation.

If there is no obligation to be a market maker, the report will note that significant gaps could develop between the ETNs valuation and the Stock Exchange price, and it will indicate expressly that any voluntary act of providing buy or sell quotes for securities that has not been approved as market-making in accordance with the Stock Exchange regulations will not constitute market-making.

The report will include an indication of the circumstances, if there are such, in which the issuer, whether or not it has undertaken to be a market maker, was prevented from providing buy or sell quotes, including the reasons and causes of the occurrence of such a situation, to the extent such are known to the company.

Taxation

- x. The report will include a short indication of the relevant tax provisions, with a reference to a full description in the taxation chapter in the last periodic report, or in the prospectus – if no periodic report has been published yet.

Graphs and sensitivity analysis

- y. A graph will be attached, describing the price of the underlying asset, the valuation of the ETN and with respect to the underlying assets that are traded in Israel, the Stock Exchange price for the ETN. This will be with regard to the reporting period. The graph will be accompanied by a verbal, qualitative explanation of the substance of the three graphs and the reason for the differences between them to the extent there are such, inasmuch as it is possible to provide such an explanation. If the issuer was prevented from providing buy or sell quotes as described in section (w) above, a graph will also be attached which compares the ETN's price on the Stock Exchange and its valuation during the period in which the said occurrence took place.
- z. An indication of the daily standard deviation of the underlying asset's yield during the last month, during the last year and during the last three years preceding the report.
- aa. The report will have attached to it a quantitative analysis which enables an understanding of the impact of a change in the price of the underlying asset on the ETN's leverage and on its valuation, to the extent there is leverage in the ETN.

Non tradability assets

- bb. A description of the valuation mechanism for the collateral assets, with respect to the end of the reporting period.
- cc. A specification of the holding of non- tradability assets that are not financial assets, to the extent there are such, and the mechanism for their valuation, their value and their size as a portion of all the collateral assets.

Rating

- dd. The company's rating and the ETN's rating (if there are such) on the date of the issue, and on the date of the report if it has changed since the earlier date, and any change that has occurred from the date of the issue through the date of the report, including a description of the dates of the change, and a reference to the company's reports regarding such change.

- ee. Alongside the rating, there will be an indication of whether the rating examines the risk of losses to the invested principal, and whether it is a rating issued by a standard rating agency or whether it is a rating of a different type and the significance of such a difference.

Trustee

- ff. The identity of the trustee of the ETN, the trustee's e-mail address and telephone number for the purpose of making contact with the trustee.

1.2 Dates for reporting

1. The data specified in item 1.1 above will be reported in the context of the periodic report in relation to the end of the reporting period.
2. Where there has been a substantial change in the data between the date on which the periodic report was prepared and the date on which it is published, the report will also include a description of the said change along with appropriate explanations.
3. A quarterly report will include any substantial change or new development regarding any matter which is required to be described in the periodic report, other than the data described in sections (l) and (y) – (aa) above, along with appropriate explanations.

1.3 Specification of the collected changes in the periodic report

In addition to the substantial changes that will be reported as described in section 1.2 above, the periodic report will also include a collected presentation of all the changes,

with regard to all of the data described in section 1.1 above, that have taken place from the date on which the ETN was offered to the public and through the reporting date (meaning, including as well changes that have taken place since the date on which the periodic report was prepared).

Alongside the substance of the change, the report will indicate the date on which the matter of the change was publicized and the date on which it went into effect.

This sub-section 1.3 will not apply to changes to sections (k), (l), (p), (q), (s), (t)-(v), (y)-(aa).

Chapter 2 – Additional items

2.1 General

The data in this part will be included in the periodic report and in the quarterly reports (hereinafter "**the reports**") and will be presented in table form.

The data will be presented separately with respect to each ETN and will be reported separately for each of the three relevant reported months, with respect to the last day of each month. (In a periodic report the reporting will relate to the months of October-December.)

2.2 Details in the reporting

In this section, the term “nominal value” will include the number of ETNs, if they do not have a nominal value.

- a. The total nominal value of the ETNs.
 - b. The total nominal value of the dormant ETNs.
- c. The total nominal value of the Notes that are not dormant ETNs.
- d. The ETN’s valuation.
- e. The ETN’s price on the Stock Exchange.
- f. The monetary value in New Israeli Shekels of all the ETNs that are not dormant ETNs, in accordance with their price on Stock Exchange.
- g. The monetary value in New Israeli Shekels of all the ETNs that are not dormant ETNs, in accordance with the valuation of each ETN.
- h. The net accumulation per ETN, in New Israeli Shekels, and the nominal value during the said period.

For the purpose of this section, “net accumulation” will mean the net increase (total increase less total amortization) in the value of the series (in total or in the nominal value, whichever is relevant) as a result of the issue of additional ETNs in the same series, including as result of the transformation of ETNs that have been defined as “dormant ETNs” in accordance with the ETN’s terms, into ETNs that grant full rights to their holder, and vice versa.

- i. The ETN’s average monthly turnover in New Israeli Shekels, in accordance with sections (d) and (e) above.

This directive will take effect as of the publication of the periodic report for 2008.