



## רשות ניירות ערך

21.01.2008

The Finance Minister approved an ISA proposal to permit large portfolio management firms, registered and supervised in certain countries, to offer their services in Israel without being registered here

**Finance Minister Roni Bar-On: "This step will improve the competition in the field of investment advice services in Israel and facilitate the access of Israeli investors to services provided by leading international entities"**

Amendment 11, to the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995, was recently approved by the Finance Minister, Mr. Roni Bar-On. This amendment will permit foreign firms, engaged in investment advice and portfolio management and comply with certain criteria defined by the ISA, to offer their services to clients in Israel without being registered here.

According to Roni Bar-On this is another step on the way of removing legal barriers and allowing further integration of the Israeli financial industry amid global financial markets. "We will continue to act in order to create a wider base for further development and improvement of our capital market and tighter cooperation with international markets", said the Minister.

The ISA Chairman, Mr. Moshe Tery, praised the Minister's approval of the amendment. "Subsequent to implementing a similar reform vis-à-vis Mutual Funds, we have taken a big step toward completing the arrangements further connecting Israel with international markets", said Tery, "...we already have quite a number of inquiries from large foreign firms. Admitting foreign companies, supplying investment advice and portfolio management services, into Israel, will increase the competition in this field and strengthen the motivation of Israeli companies to improve their performance in order to better compete for the Israeli investor's money".

The Investment Advice Law prohibits provision of investment advice or portfolio management services without the appropriate license. This law, as all state laws, is territorial – and as such applies to all services provided in Israel. Thus, the ISA position is that - any service provided to persons in Israel comes under the regulations of the Law and requires a license, even when the service provider remains outside Israel, including cases where the service is provided by means of email, facsimile, telephone, etc. Consequently, since under the existing situation in order to acquire the license an applicant has to be either a resident or a citizen of Israel, as well as to employ at least one Israeli licensee in his corporation (who has to be either a resident or a citizen of Israel, as stated), no foreigner – either an individual or a firm – are authorized to approach and offer investment advice and portfolio management services to people residing in Israel.



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The existing legal situation does not permit foreign companies to market their services in Israel and to offer them to Israeli residents, even if these companies are licensed in the country of their origin and approach Israelis by means of electronic media or during occasional visits to Israel, including cases where the investment accounts are managed outside Israel. Thus, persons residing in Israel are prevented from receiving services provided by professional foreign entities, not interested in opening a local Israeli branch, but are interested in providing services from their domicile. As a result a situation arose, whereby the Law does not prevent an Israeli client from approaching a foreign company and entrusting it with the management of his/hers investment portfolio – but it does not permit the same company to act in Israel without the license.

For this reason, a few years ago, the ISA had initiated the aforesaid amendment. According to the amendment foreign entities licensed in the countries of their origin will be permitted to engage in investment advice, investment marketing or portfolio management, and to offer their services in Israel, even if they are not licensed here, providing the aforementioned foreign entity complies with one of the following alternatives:

1. It acts within the framework of one of the Israeli companies holding an appropriate license or under the auspices of a bank licensed in investment advice. The Israeli entities will be responsible for the activities of foreign entities, including their compliance with the provisions of the Law pertaining to their activities. This activity will be open to all foreign entities without any further stipulations.
2. Regarding portfolio management – there is an alternative of direct communication between a large international company engaged in investment advice, investment marketing and portfolio management, licensed in the country of origin, and qualified investors in Israel – whilst foreign company's marketing activity is performed in Israel whereas the management of investment portfolios is conducted in the country of origin. The aforesaid activity will be open to entities from the US and the European Union.

The amendment will be submitted for approval of the Ministerial Committee on Legislation.