

TASE Trading Guide

Resolutions of the Board of Directors

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Table of Contents

Remuneration for Market Maker in respect of Derivatives	F-2
Market Making Orders	F-11
Trading hours	F-23
Restriction on Open Positions on Share Options	F-26
Orders to turnover ratio in trading derivatives by the use of quote generators	F-27

REMUNERATION FOR A MARKET MAKER IN RESPECT OF DERIVATIVES

A Decision of the Stock Exchange Board of Directors

1. Definitions

For the purposes of this decision –

"Share options" – options that the underlying asset of which is a share and options that the underlying asset of which is a participating unit in limited partnership of gas or oil;

"Non-linked Israel government bond options" – options that the underlying asset of which is an Israeli government bond.

"Basket index derivatives" - derivatives, the underlying asset of which is a securities basket index;

"Exchange rate derivatives" - derivatives, the underlying asset of which is a foreign currency exchange rate;

"Volume of activity of market maker in respect of basket index derivatives" - the total number of derivatives, for which the underlying asset is a securities basket index, which were bought on the Exchange and sold on the Exchange by the market maker during the three calendar months that preceded the record date;

"Total volume of activity on the Exchange in respect of basket index derivatives" - the total number of derivatives, for which the underlying asset is a foreign currency exchange rate, which were bought on the Exchange and sold on the Exchange during the three calendar months that preceded the record date;

"Volume of activity of market maker in respect of exchange rate derivatives" - the total number of exchange rate derivatives, which were bought on the Exchange and sold on the Exchange by the market maker during the three calendar months that preceded the record date;

"Total volume of activity on the Exchange in respect of exchange rate derivatives" - the total number of exchange rate derivatives, which were bought on the Exchange and sold on the Exchange during the three calendar months that preceded the record date;

"Total volume of activity in respect of another derivative" - the total number of derivatives, for which the underlying asset is identical, which were bought on the Exchange and sold on the Exchange during the three calendar months that preceded the record date;

"The record date" - March 1 of each year;

In respect of applications to act as market maker, which are submitted on a date other than the date on which the list of market makers is updated, the record date shall be the date on which the applicant submitted his application to act as a market maker.

2. **The maximum number of market makers, who are remunerated by the Exchange**

- A. In respect of share options the maximum number of market makers who are remunerated by the Exchange shall be four.
- B. The Stock Exchange shall remunerate all those whom it authorized to operate as market maker of non-linked Israel Government bond options, on condition that they submit market making orders for implementation on the Stock Exchange, as required.

2a. **Choosing market makers in respect of share options**

- A. The two bodies that on June 30th, 2011, will act as market makers in respect of share options shall have the right to continue to act as market makers in the manner that the Board of Directors decided on May 5th, 2011 (hereafter: "the improved model").
- B.
 - 1. If the number of market makers for share options and for TA-Banks index options is fewer than four, the General Manager of the Stock Exchange is authorized to appoint additional bodies that meet the conditions on market making that are specified in the by-laws, in the guidelines and in decisions of the Board of Directors, on condition that their number not be greater than four.
 - 2. Bodies that wish to function as market makers for share options and for TA-Banks index options shall submit written applications to the Stock Exchange, formulated as specified in Appendix "A" of the guidelines under Part Three of the by-laws, and that by a date that will be announced by the Stock Exchange (hereafter: "the applicants").
 - 3. If the number of applicants is greater than the number of market makers that the General Manager decided to appoint, those applicants shall be chosen who had the largest trading turnover in their nostro account with derivatives traded on the Stock Exchange during the three calendar months before the date of the application.
- C. Applicants to act as market makers in respect of share options and in TA Banking Index options, including each of the bodies said in subsection B. above, shall assume an obligation that, during the period that will begin on May 29th, 2011, and in respect to TA Banking Index options – in the period that will begin on August 1st, 2011, or on the date on which it will begin to act as a market maker, as the case may be, and that will end on December 31, 2015, it will act as market maker in respect of share options and TA Banking Index options, and will submit market making orders, as required, for

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execution on the Stock Exchange, subject to the provisions of section 4 below.

- D. The Stock Exchange may reject the application of an applicant to act as market maker, if it acted as market maker in respect of share options and TA Banking Index options, in the past and then ceased to act as a said market maker, if the cessation of its market making activity was connected to its failure to comply with its obligations to submit market making orders as required.

3. **Remuneration of market makers in respect of share options and TA Banking Index options**

The Stock Exchange shall remunerate, as specified below, bodies that were approved by it as market makers in respect of share options and TA Banking Index options remunerated by the Stock Exchange, and that subject to its having submitted market making orders as required.

For the calculation of the remuneration specified in this section, only those transactions in share options and TA Banking Index options shall be taken into account, which were carried out by the market maker and marked by it in the manner that will be prescribed from time to time by the Stock Exchange.

From August 1, 2011, the remuneration of market makers for options on the TA-Banking Index shall be as specified below. Until August 1, 2011, the remuneration specified below shall only apply in respect of market making on share options.

A. 1) **Refund of trading and clearing fees**

At the beginning of each month the Stock Exchange shall refund to the Stock Exchange member, through which the market maker operates, an amount equal to the trading fees that were collected from the said Stock Exchange member in respect of the market maker's trading activity in the course of the preceding month in respect of the options for shares and TA Banking Index options.

2) **Monthly remuneration according to the rank of the market maker**

A) In addition to what is provided in subsection 1) above, the Stock Exchange shall, at the beginning of each month, pay the Stock Exchange member, through which the market maker in respect of share options operates and TA Banking Index options operates, an amount specified below, as the case may be, in respect of trading in the course of the preceding month by the market maker in respect of options as mentioned above, that operates through it:

- 1) In respect of trading by the market maker that in the preceding month bought and sold the largest number of options bought and sold by each of the market makers in respect of share options

together with TA Banking Index options, if any, in the course of that month – NIS 50,000.

- 2) If the number of said market makers was at least two – in respect of trading by the market maker with a number of share options together with TA Banking Index options, bought and sold in the course of the month that was smaller than the number of options bought and sold by the market maker said in subsection 1) above, but larger than the number of options bought and sold by the market maker said in subsection 3) below, if such there was, in the course of that month – NIS 35,000.
 - 3) If the number of said market makers was at least three – in respect of trading by the market maker with a number of share options together with TA Banking Index options, bought and sold in the course of the month that was smaller than the number of options bought and sold by the market maker said in subsection 2) above, but larger than the number of options bought and sold by the market maker said in subsection 4) below, if such there was, in the course of that month – NIS 20,000.
 - 4) If the number of said market makers was four – in respect of trading by the market maker with a number of share options together with TA Banking Index options, bought and sold in the course of the month that was the smallest of the number of options bought and sold by each of the other market makers in respect of share options in the course of that month – NIS 15,000.
- B) If two or more market makers had the same number of share options together with TA Banking Index options, that they bought and sold in the course of a certain month, the Stock Exchange shall pay each of the Stock Exchange members through whom those market makers operate an equal share of the total amount that would have been paid those market makers under subsection a) above, as the case may be.
- C) If there was a technical malfunction, due to which a market maker did not submit market making orders to the Stock Exchange as required – the Stock Exchange may subtract from the amounts specified in subsection a. above a proportional part according to the length of time

during which the market maker did not submit market making orders as required because of the said malfunction.

3. Monthly remuneration according to the market maker's volume, in terms of option units

- A) In addition to what is provided in subsections 1) and 2) above, at the beginning of each month the Stock Exchange shall pay the Stock Exchange member, through which the market maker in respect of share options operates and TA Banking Index options operates, the amount specified in the following table, but not more than the maximum amount prescribed in subsection b) below, and that in respect of the market maker's trading in said options during the preceding month:

When the Market Maker's daily turnover during the month (in units) is:	Payment in the first year of operation of the improved model in respect of each of the said options bought & sold during the said month, from the first option (In agorot):	Payment in the second and third year of the improved model in respect of each of the said options bought & sold in the said month, from the first option (In agorot):	Payment in years three to five of the operation of the improved model in respect of each of the said options bought & sold in the said month, from the first option (In agorot):
Up to 11,999	24	18	12
From 12,000 to 15,999	28	21	14
From 16,000 to 23,999	32	24	16
From 24,000 to 31,999	35	26	18
From 32,000 to 40,000	37	28	19

- B) The maximum monthly remuneration for a certain market maker under this section shall be as follows:
- 1) In the course of the aforesaid first year – NIS 300,000.
 - 2) In the course of the aforesaid second year – NIS 225,000.
 - 3) In the course of the aforesaid third to fifth years – NIS 150,000.
- 4) In the count of the number of options for the determination of a market maker's monthly remuneration, as said in subsections 2) and 3) above, the number of options that the market maker bought from or sold to other market makers shall not be taken into account. Furthermore, every transaction of more than 25 options

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shall – for the determination of the said remuneration – be counted as a transaction for only 25 options, and a turnover of more than one hundred options with a certain client on a certain trading day shall – for the present purpose – be counted only as one hundred options.

- A. The payments said in subsection 3.a. above shall be paid at the beginning of each month to the Stock Exchange members through whom the market makers operate, in respect of market making in the preceding month, on condition that the market maker submitted market making orders as required for execution on the Stock Exchange.
- B. Subject to the provisions of section 4 below, the remuneration of market makers shall be in effect, according to the format prescribed in subsection 3.a. above, until December 31, 2015.

If a market maker in respect of share options and TA Banking Index options, began to operate as a said market maker in the course of a calendar month, then the market maker's remuneration in respect of that month shall be proportionate to the number of days during that month on which it made market as required.

- C. If a market maker in respect of share options and TA Banking Index options, ceased to live up to its obligations to submit market making orders for the said options because it was decided – according to subsection 7.g.1) of Chapter Six of the Regulations under Part Three of the Stock Exchange Rules – to reject orders submitted through a generator number that was allocated to it for market making in respect of those options, the Stock Exchange shall continue to remunerate that market maker as said in subsection 3.a. above, as the case may be, also during the period in which it was unable to submit orders because of the aforesaid reason, but not for longer than until the end of two calendar months after the month in which it was decided to reject the aforesaid orders.

4. Termination of market making, termination of the remuneration of share option and TA Banking Index options, market makers at the initiative of the Stock Exchange

- A) In January of each year, beginning with the year 2012, the Stock Exchange shall calculate the daily turnover carried out by each of the market makers in respect of share options and TA Banking Index options, during the preceding year. The Stock Exchange shall have the right to cancel, by an advance notice of at least sixty days, the approval that was given a certain body to act as market maker in respect of share options and to stop remunerating it, if the proportion of the daily turnover that that market maker for the said options carried out in the preceding year, as part of the daily turnover of all market makers in respect of those options on the Stock

Exchange in that year was lower than the following percentages, as the case may be:

- 1) If the number of market makers in that year was four – 12.5%.
- 2) If the number of market makers in that year was three – 17%.
- 3) If the number of market makers in that year was two – 25%.

B) If the daily turnover of all share options and TA Banking Index options, in the six calendar months that will end with December 2011 will be lower than 4,000 units, the Stock Exchange shall have the right to cancel, by an advance notice of at least sixty days, the approvals given to bodies to act as market makers in respect of options as mentioned above, and to stop remunerating them.

C) If the daily turnover of all share options and TA Banking Index options, in the six calendar months that will end with December of each of the years from 2012 on, will be lower than 8,000 units, the Stock Exchange shall have the right to cancel, by an advance notice of at least sixty days, the approvals given to bodies to act as market makers in respect of options as mentioned above, and to stop remunerating them.

D) If trading in share options and TA Banking Index options, on the Stock Exchange is terminated, the remuneration of market makers in respect of options as mentioned above shall be canceled and the undertakings of market makers to submit market making orders shall be canceled.

5. Termination of market making of share option and TA Banking Index options at a market maker's initiative

A market maker in respect of share options and TA Banking Index options may cease the market making activity that it carries out, on condition that it gives the Stock Exchange written notice to that effect at least sixty days before the date on which it intends to cease making a market for the said options

6. Change of conditions of the improved model

The Board of Directors may change any of the conditions of the improved model, if it concludes that the change is essential in order to maintain the effect of the model, and that by an advance notice of at least six months.

Notwithstanding the aforesaid, the term of the advance notice may be shortened if all the market makers agree thereto in writing.

7. Canceled.

8. Remuneration of Market makers of non-linked Israel Government bond options

- A. The Stock Exchange shall remunerate all those whom it approved as market makers of non-linked Israel Government bond options, on condition that they submit market making orders for implementation on the Stock Exchange, as required.

In order to calculate the remuneration, as specified in this section, only those transactions with non-linked Israel Government bond options shall be taken into account, which were carried out by the market maker and which were marked by him in the manner that shall, from time to time, be prescribed by the Stock Exchange.

1) Refund of trading and clearing fees on non-linked Israel Government bond options

At the beginning of each month the Stock Exchange shall refund to a Stock Exchange member who operates as a market maker an amount equal to the trading fees that were collected from him in the course of the preceding month in respect of his activity as market maker of non-linked Israel Government bond options.

2) Refund of trading and clearing fees on non-linked Israel Government bonds and "ILGOV"

At the beginning of each month the Stock Exchange shall refund to a Stock Exchange member who operates as a market maker for non-linked Israel Government bond an amount equal to one half of the trading fees that were collected from him in the course of the preceding month on all of his trading activity on the Stock Exchange in his nostro account in respect of non-linked Israel Government bond and "ILGOV".

- B. The aforesaid refund of fees shall be in effect until November 30, 2012.

9. Discontinuation of the remuneration of market makers of non-linked Israel Government bond options at the initiative of the Stock Exchange

- A. The Stock Exchange shall be entitled to discontinue the remuneration of market makers in non-linked Israel Government bond options by an announcement 60 days in advance.
- B. If trading on the Stock Exchange of non-linked Israel Government bond options is discontinued, the remuneration of market makers in the aforesaid options shall be discontinued and the market makers undertaking to submit market making orders shall be canceled.

10. Discontinuation of the remuneration of market makers of non-linked Israel Government bond options at the initiative of a market maker

A market maker in non-linked Israel Government bond options shall be entitled to discontinue his market making activity, on condition that he informed the Stock

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Exchange in writing, at least 60 days in advance, about his intention to
discontinue making a market for the said options.

MARKET MAKING ORDERS

Whoever wishes to act on the Exchange as market maker for a certain security must assume the obligation that - at all times in the course of trading on the Exchange, except during intervals determined in this decision - his buy orders and sell orders for the security in respect of which he acts as market maker will be on the order book for a quantity no smaller than the minimum quantity specified below at a price differential no greater than the maximum differential between the said buy orders for the security and the said sell orders for the security, all as prescribed below.

A. Minimum quantity

At all times in the course of trading on the Exchange and subject to the restrictions prescribed in section D. below, buy orders from the market maker for the security for a quantity no smaller than the quantity specified below, and also sell orders from the market maker for the security for a quantity no smaller than the quantity specified below shall be on the order book for each of the securities for which he acts as market maker.

1) In respect of shares and securities convertible into shares:

- a) In respect of shares included in the TA-25 index and in respect of basket certificates for those shares - a quantity of shares equal to twice the minimum size of an order for those shares;
- b) In respect of shares included in the TA-75 index and in respect of basket certificates for those shares - a quantity of shares equal to three times the minimum size of an order for those shares;
- c) In respect of shares included in the Yeter-TA index and in respect of basket certificates for those shares - a quantity of shares equal to one and a half times the minimum size of an order for those shares;
- d) In respect of shares not included in the TA-100 index and the Yeter-TA index and also in respect of basket certificates for those shares - a quantity of shares equal to the minimum size of an order for those shares;
- e) In respect of options, convertible debentures and option debentures - a quantity of securities equal to one and a half times the minimum size of an order for the options or the debentures, as the case may be;

1A) In respect of debentures, other than bonds issued by the State of Israel, and also in respect of options for debentures:

A quantity of securities equal to twice the minimum size of an order for those securities.

2) In respect of bonds issued by the State of Israel other of the categories "Shahar", "New Gillon", "ILGOV" and "ILFRNO", and also in respect of options for debentures:

a quantity of securities equal to the minimum size of an order for those securities;

3) In respect of M.K.M., commercial securities and bonds issued by the State of Israel of the categories "Shahar", "New Gillon", "ILGOV" and "ILFRNO":

a quantity of securities equal to 33 times the minimum size of an order for those securities;

4) For share options, except for ICL share options, participating unit options in limited partnerships of gas and oil explorations

(a) In respect of options of the series with the nearest exercise date – the purchase of 8 options and the sale of 8 options.

(b) For options of the series with the exercise date that comes after the nearest exercise date – the purchase of 5 options and the sale of 5 options.

(c) Notwithstanding the provisions of subsections (a) and (b) above, the following shall apply on the last trading day for a series of options:

1. In respect of options of the series for which this is the last trading day – there is no minimum quantity requirement;

2. In respect of options with the nearest exercise date after the exercise date of the series said in the above subsection (1) – 8 options in the manner specified in subsection (a) above.

3. In respect of options with the nearest exercise date after the exercise date of the series said in the above subsection (2) – 5 options in the manner specified in subsection (b) above.

5) For options for the share of ICL

(a) In respect of options of the series with the nearest exercise date – the purchase of 4 options and the sale of 4 options.

(b) For options of the series with the exercise date that comes after the nearest exercise date – the purchase of 2 options and the sale of 2 options.

(c) Notwithstanding the provisions of subsections (a) and (b) above, the following shall apply on the last trading day for a series of options:

(1) In respect of options of the series for which this is the last trading day – there is no minimum quantity requirement.

(2) In respect of options with the nearest exercise date after the exercise date of the series said in the above subsection

(1) – 4 options in the manner specified in subsection 5)(a) above.

(3) In respect of options with the nearest exercise date after the exercise date of the series said in the above subsection (2) – 2 options.

6) For participating unit options in limited partnerships of gas and oil explorations

(a) In respect of options of the series with the nearest exercise date – the purchase of 6 options and the sale of 6 options.

(b) For options of the series with the exercise date that comes after the nearest exercise date – the purchase of 4 options and the sale of 4 options.

(c) Notwithstanding the provisions of subsections (a) and (b) above, the following shall apply on the last trading day for a series of options:

1. In respect of options of the series for which this is the last trading day – there is no minimum quantity requirement;

2. In respect of options with the nearest exercise date after the exercise date of the series said in the above subsection (1) – 6 options in the manner specified in subsection (a) above.

3. In respect of options with the nearest exercise date after the exercise date of the series said in the above subsection (2) – 4 options in the manner specified in subsection (b) above.

7) For TA Banking Index options

(a) In respect of options of the series with the nearest exercise date – the purchase of 3 options and the sale of 3 options.

(b) For options of the series with the exercise date that comes after the nearest exercise date – the purchase of 2 options and the sale of 2 options.

(c) Notwithstanding the provisions of subsections (a) and (b) above, the following shall apply on the last trading day for a series of options:

1. In respect of options of the series for which this is the last trading day – there is no minimum quantity requirement;

2. In respect of options with the nearest exercise date after the exercise date of the series said in the above subsection (1) – 3 options in the manner specified in subsection (a) above.

3. In respect of options with the nearest exercise date after the

exercise date of the series said in the above subsection (2) – 2 options in the manner specified in subsection (b) above.

8) For Non-linked Israel government bond options

- A. In respect of options of the series with the nearest exercise date – the purchase of 15 options and the sale of 15 options.
- B. In respect of options of the series with the exercise date next after the nearest exercise date – the purchase of 12 options and the sale of 12 options.
- C. Notwithstanding the provisions of the above subsections a. and b., the following shall apply on the last day on which a series of options is traded:
 - 1) In respect of options of the series for which this is the last trading day – there is no requirement for a minimum quantity.
 - 2) In respect of options of the series with an exercise date next after the exercise date of the series said in the above subsection 1) – 15 options in the manner specified in the above subsection A.
 - 3) In respect of options of the series with an exercise date next after the exercise date of the series said in the above subsection 2) – 12 options in the manner specified in the above subsection B.

B. Maximum price differential

1) In respect of securities other than derivatives

in every pair of opposite market making orders on the order book for any security whatsoever, as required above, the price stated in the sell order shall not be greater than the price stated in the buy order by more than the percentage stated below, the price in the said sell order having been rounded upward to the nearest level of prices for submitting orders, in accordance with the Rules;

a) In respect of shares and securities convertible into shares

- (1) In respect of shares included in the TA-25 index and in respect of basket certificates for those shares - by 2%;
- (2) In respect of shares included in the TA-75 index and in respect of basket certificates for those shares - by 3%;
- (3) In respect of shares included in the Yeter-TA index and in respect of basket certificates for those shares - by 5%;
- (4) In respect of shares not included in the TA-100 index and the Yeter-TA index and also in respect of basket certificates for those shares, and also in respect of options - by 8%;

- (5) In respect of convertible debentures and option debentures - by 3%;
- b) In respect of debentures, other than bonds issued by the State of Israel of the categories "Shahar", "New Gillon", ILGOV and ILFRNO":
- (1) In respect of debentures with up to three years to redemption – by 2%
- (2) In respect of debentures with more than three years and up to five years to redemption – by 3%
- (3) In respect of debentures with more than five years and up to ten years to redemption – by 3.5%
- (4) In respect of debentures with more than ten years to redemption – by 4%.
- c) In respect of debentures issued by the State of Israel of the categories "Shahar", "New Gillon", "ILGOV" and "ILFRNO":
- (1) In respect of debentures with up to three years to redemption – twenty times the step for the submission of an order, as prescribed in the Regulations;
- (2) In respect of debentures with more than three years and up to six years to redemption – thirty times the step for the submission of an order, as prescribed in the Regulations;
- (3) In respect of debentures with more than six years and up to ten years to redemption – ninety times the step for the submission of an order, as prescribed in the Regulations;
- (4) In respect of debentures with more than ten years to redemption – sixty times the step for the submission of an order, as prescribed in the Regulations;
- d) In respect of M.K.M. and commercial securities - by 0.15%.
- 2) In respect of share options, TA Banking Index options and Non-linked Israel government bond options

In every pair of opposite market making orders on the order book for options, as required above, the price stated in the sell order shall not be greater than the price stated in the buy order by more than the percentage stated below:

- A) For share options, except for ICL share options, participating unit options in limited partnerships of gas and oil explorations
- (1) In respect of options of the series with the nearest exercise date – 5 times the step for submitting orders, as prescribed in the guidelines;
- (2) For options of the series with the exercise date that comes after the

nearest exercise date – 6 times the step for submitting orders, as prescribed in the guidelines;

- (3) Notwithstanding the provisions of subsections (1) and (2) above, the following shall apply on the last trading day for a series of options:
 - a. In respect of options with the nearest exercise date after the exercise date of the series said in the above subsection (1) – in the manner specified in subsection A) (1) above.
 - b. In respect of options with the nearest exercise date after the exercise date of the series said in the above subsection (a) – in the manner specified in subsection A) (2) above.

B) For options for the share of ICL

- (1) In respect of options of the series with the nearest exercise date – 6 times the step for submitting orders, as prescribed in the guidelines;
- (2) For options of the series with the exercise date that comes after the nearest exercise date – 7 times the step for submitting orders, as prescribed in the guidelines;
- (3) Notwithstanding the provisions of subsections (1) and (2) above, the following shall apply on the last trading day for a series of options:
 - a) In respect of options with the nearest exercise date after the exercise date of the series said in the above subsection (1) – in the manner specified in subsection B) (1) above.
 - b) In respect of options with the nearest exercise date after the exercise date of the series said in the above subsection (a) – in the manner specified in subsection B) (2) above.

C) For participating unit options in limited partnerships of gas and oil explorations

- (1) In respect of options of the series with the nearest exercise date – 12 times the step for submitting orders, as prescribed in the guidelines;
- (2) For options of the series with the exercise date that comes after the nearest exercise date – 14 times the step for submitting orders, as prescribed in the guidelines;
- (3) Notwithstanding the provisions of subsections (1) and (2) above, the following shall apply on the last trading day for a series of options:
 - a) In respect of options with the nearest exercise date after the exercise date of the series said in the above subsection (1) – in the manner specified in subsection C) (1) above.

- b) In respect of options with the nearest exercise date after the exercise date of the series said in the above subsection (a) – in the manner specified in subsection C) (2) above.

D) For TA Banking Index options

- (1) In respect of options of the series with the nearest exercise date – 10 times the step for submitting orders, as prescribed in the guidelines;
- (2) For options of the series with the exercise date that comes after the nearest exercise date – 12 times the step for submitting orders, as prescribed in the guidelines;
- (3) Notwithstanding the provisions of subsections (1) and (2) above, the following shall apply on the last trading day for a series of options:
 - a) In respect of options with the nearest exercise date after the exercise date of the series said in the above subsection (1) – in the manner specified in subsection D) (1) above.
 - b) In respect of options with the nearest exercise date after the exercise date of the series said in the above subsection (a) – in the manner specified in subsection D) (2) above.

E) For Non-linked Israel government bond options

- 1) In respect of options of the series with the nearest exercise date – 4 times the step for the submission of an order, as prescribed in the Regulations.
- 2) In respect of options of the series with the exercise date next after the nearest exercise date – 5 times the step for the submission of an order, as prescribed in the Regulations.
- 3) Notwithstanding the provisions of the above subsections 1) and 2), the following shall apply on the last day on which a series of options is traded:
 - a) In respect of options of the series with an exercise date next after the exercise date of the series said in the above subsection 1) – in the manner specified in the above subsection E)1);
 - b) in respect of options of the series with an exercise date next after the exercise date of the series said in the above subsection (a) – in the manner specified in the above subsection E)2).

- C. Only a market maker, whose buy orders and sell orders comply with all the following requirements will be deemed to have met his obligation in respect of buy orders and sell orders being on the order book in the minimum quantity and with the maximum price differential, as provided in sections A. and B. above.

- 1) Buy orders, which a market maker is required to submit, may be submitted with at the most five different prices. and sell orders, which he is required to submit, may be submitted with at the most five different prices;

If a market maker submitted aforesaid buy orders and sell orders with more than five prices, then the Exchange shall - in examining whether he met his obligations said in sections A. and B. above - take into consideration only his buy orders with the five highest prices and his sell orders with the five lowest prices.

- 2) The aggregate quantity of securities in buy orders that will be submitted by the market maker at the five highest prices, as said in subsection 1) above, shall at least equal the minimum quantity required in section A. above.

The aggregate quantity in sell orders that will be submitted by the market maker at the five lowest prices, as said in subsection 1) above, shall at least equal the minimum quantity required in section A. above.

- 3) The price stated for quotation in the sell order is not greater than the price stated in the buy order for quotation by more than is prescribed in section B. above, as the case may be.

In this section –

"Sell order for quotation" - the sell order at the highest price among the five sell orders taken into account as said in subsection 1) above, in which the aggregate quantity of securities, together with the quantities of securities in those of the five sell orders at lower prices, equals at least the minimum quantity said in section A. above.

"Buy order for quotation" - the buy order at the lowest price among the five buy orders taken into account as said in subsection 1) above, in which the aggregate quantity of securities, together with the quantities of securities in those of the five sell orders at higher prices, equals at least the minimum quantity said in section A. above.

D. Length of time and the phases of trading, during which a market maker must submit market making orders and the length of time, during which the market maker is exempt of submitting aforesaid orders

A market maker must submit buy orders and sell orders to the Exchange for execution, so that his market making orders will be on the order book during all phases of trading on the Exchange in respect of the securities for which he acts as market maker and that subject to the following restrictions:

- 1) In respect of securities other than derivatives
 - a) during the pre-opening phase - market making orders as required shall be on the order book during at least four of the five minutes before the earliest time for opening trading, and also at any time from the earliest time for opening trading until the opening trading in the security;

notwithstanding the aforesaid, failure to meet this requirement on four trading days at the most in any calendar month shall not be deemed failure to submit market making orders during the pre-opening phase, as required;

- b) During the continuous trading phase - market making orders as required shall be on the order book at all times while continuous trading is in progress on the Exchange;

Notwithstanding the aforesaid, failure to meet this requirement during a period of no more than one hundred minutes in the aggregate in the course of the continuous trading phase for a security on each trading day shall not be deemed failure to submit market making orders during the continuous trading phase, as required;

On the intermediate days of Passover and Sukkot, failure to meet the said requirement during a period of no more than seventy minutes in the aggregate in the course of the continuous trading phase for a security on each trading day shall not be deemed failure to submit market making orders during the continuous trading phase, as required;

- c) (1) Notwithstanding the provisions of subsections a) and b) above, in respect of the following securities a market maker may submit market making orders during for the pre-opening phase only, subject to the provisions of subsection (2) below:
- (a) Shares not included in the TA-100 index and the Yeter-TA index;
 - (b) Share options;
- (2) Whoever wished to act as market maker for the opening phase only shall submit to the Exchange an application as said in Schedules One and Three of the Rules, in which he shall state that he will submit market making orders only during the pre-opening phase;

Notwithstanding the aforesaid –

- If there is market making for a certain security both in the pre-opening phase and the continuous trading phase, then the Exchange shall reject applications for market making during the pre-opening phase alone;
- If there is market making for a certain security only during the pre-opening phase and an application is submitted and approved for market making both in the pre-opening phase and the continuous trading phase, then the Exchange shall inform the market maker in the pre-opening phase only that he must make market also during the continuous trading phase, or else he must cease making market for the security, and that until the end of the calendar month after the month in which the said notice was delivered to the market maker;

d) In respect of derivatives

Required market making orders shall be on the order book at all times while derivatives are being traded on the Exchange; however, if the underlying asset of a derivative, for which a market is being made, is traded on the Exchange, or if the underlying asset of a derivative, for which a market is being made, is an index of securities traded on the Exchange, then the aforesaid market making orders must be on the order book from the time when the first index published during the continuous trading phase is published, or from the time when the opening price of the underlying asset is published and up to the end of the continuous trading phase for that underlying asset, as the case may be, on that trading day;

Notwithstanding the aforesaid, failure to meet this requirement during no longer than one hundred minutes in the aggregate while derivatives are being traded on that trading day shall not be deemed a failure to submit market making orders as required;

On the intermediate days of Passover and Sukkot, failure to meet this requirement during no longer than seventy minutes in the aggregate during the period when those derivatives are being traded shall not be deemed a failure to submit market making orders as required.

E. **Series of share options and TA Banking Index options, in respect of which a market maker for derivatives must submit market making orders**

- (1) A market maker in share options and TA Banking Index options must make a market for all options, of which the underlying assets are shares and for all options that their underlying asset is TA Banking Index. A market maker must submit market making orders for every option, of which the underlying asset is a share and for all options that their underlying asset is TA Banking Index, in the series with the nearest exercise date and in the series with the exercise dates that follows thereafter, as specified below.

However, on the last trading day of a share option series and of a TA Banking Index options series, the obligation shall apply to submit market making orders for the options with the nearest exercise dates after the exercise date of the series for which this is the last trading day, and the obligations under subsections a) and b) below shall apply in respect of the option series with the following exercise dates:

- (a) The exercise date that follows the nearest exercise date;
 - (b) The exercise date that follows the exercise date said in the above paragraph (a).
- (2) In respect of every series with the nearest exercise date the market maker's obligations shall be as follows:

At the exercise price that is nearest the price of the underlying asset at all times; if the price of the underlying asset is equally close to two consecutive exercise prices – the higher exercise price of the two;

in addition, at least at 5 different exercise prices from among the exercise prices within the range of up to 20% above and below the exercise price nearest to the price of the underlying asset; if within the said range there are not at least five different exercise prices, then the market maker shall submit market making orders for all the exercise prices that actually are within the said range.

- (3) In respect of every said series with an exercise date that follows the nearest exercise date the market maker's obligations shall be as follows

At the exercise price that is nearest the price of the underlying asset at all times; if the price of the underlying asset is equally close to two consecutive exercise prices – the higher exercise price of the two;

In addition, at least at 4 different exercise prices from among the exercise prices within the range of up to 20% above and below the exercise price nearest to the price of the underlying asset; if there are not at least two different exercise prices within the said range, then the market maker shall submit market making orders for all the exercise prices that actually are within the said range.

- (4) If, in consequence of a rights event, an adjustment was made for the adjustment of the conditions of a series of share options of the underlying asset, and if in consequence thereof new option series were issued, then the provisions of subsections a) and b) above shall apply to the said new series, and not to the series on the same underlying asset, which were issued before the said adjustment had been made.

F. Government bonds, in respect of which market makers for those bonds must submit market making orders

Market makers in Government bonds must submit market making orders for all the Government bonds, for which there is an obligation for quotations by primary Dealers in the MTS-Israel system, on each day on which those bonds are traded on the Stock Exchange.

G. The series in respect of which a market maker of non-linked Israel Government bond options must submit market making orders

- 1) A market maker of non-linked Israel Government bond options must make a market for all the options, for which the non-linked Israel Government bonds are the underlying asset. A market maker must submit market making orders for every option for which a non-linked Israel Government bond is the underlying asset, of the series with the nearest exercise date and of the series with the next following exercise date, as specified below.

However, on the last trading day of a series of non-linked Israel Government bond options the obligation to submit market making orders shall apply to options, the exercise date of which is next after the exercise date of the series

for which this is the last trading day, and the obligations said in the following subsections 2) and 3) shall apply to option series, the exercise dates of which are as follows:

- a) The exercise date next following after the nearest exercise date.
- b) The exercise date that next following after the exercise date said in the above paragraph a).

- 2) In respect of each said series, the exercise date of which is the nearest, the market maker's obligation shall be as follows:

At the exercise price that at any time is nearest to the price of the underlying asset; if the price of the underlying asset is equally near to two consecutive exercise prices – at the higher of the two exercise prices.

In addition, at least at 5 different exercise prices among those that are within a range of 2% above and 2% below the exercise price that is nearest to the price of the underlying asset; if there are not at least 5 different exercise prices within the said range – the market maker shall submit market making orders at all the exercise prices that actually are within the said range

- 3) In respect of every said series, the exercise date of which is next after the nearest exercise date, the market maker's obligation shall be as follows:

At the exercise price that at any time is nearest to the price of the underlying asset; if the price of the underlying asset is equally near to two consecutive exercise prices – at the higher of the two exercise prices.

In addition, at least at 4 different exercise prices among those that are within a range of 2% above and 2% below the exercise price that is nearest to the price of the underlying asset; if there are not at least 4 different exercise prices within the said range – the market maker shall submit market making orders at all the exercise prices that actually are within the said range.

TRADING HOURS

1) In securities, inclusive of derivatives:

a. Trading hours in regular days¹:

	Stock Market		Bonds	M.K.M. and Institutional markets
	Group A ²	Group B ³		
Pre opening phase	09:00	09:00	09:00	09:00
Opening phase	09:45 – 09:50	10:15	09:30-09:35	09:30
Pre close phase	16:14 - 16:15	16:14 - 16:15	16:14 - 16:15	16:14 - 16:15
Closing trading phase	16:23 - 16:28	16:23 - 16:28	16:23 - 16:28	16:23 - 16:28

b. Trading hours in the day before the IANS (Index Adjusted number of Shares) quarterly update day:

	stock market	
	Group A	Group B
Pre opening phase	09:00	09:00
Opening phase	09:45 - 09:50	10:15
Pre close phase	15:55- 15:56	15:55- 15:56
Closing trading phase	16:23 - 16:28	16:23 - 16:28

¹ In each place there is an hour range, the trading phase will begin each day at a time to be set at random, which shall be within the range.

Group A – shares included in the following indices: TA-100, Tel-Tech 15, Tel-Div 20, Real Estate- 2 15, Finance and Maala, and also of basket certificates and participation units in closed joint investment trust funds, which under their investment policy invest their assets in securities, in a manner as near as possible to the weight of those securities in the following indices: TA-25, TA-75, TA-100, TA-Banks, Tel-Tech 15, Tel-Div 20, Real Estate-15, Finance or Maala.

³ Group B – other shares and securities convertible into shares.

c. Trading hours in the last trading day of March and September every year:

	Bonds	M.K.M. and Institutional
Pre opening phase	09:00	09:00
Opening phase	09:30-09:35	09:30
Pre close phase	15:55- 15:56	15:55- 15:56
Closing trading phase	16:23 - 16:28	16:23 - 16:28

d. Trading hours in the interim holidays of Pesach and of Sukkot:

	stock market		Bonds,	M.K.M. and Institutional markets
	Group A	Group B		
Pre opening phase	09:00	09:00	09:00	09:00
Opening phase	09:45 - 09:50	10:15	09:30-09:35	09:30
Pre close phase	14:29 - 14:30	14:29 - 14:30	14:29 - 14:30	14:29 - 14:30
Closing trading phase	14:38 - 14:43	14:38 - 14:43	14:38 - 14:43	14:38 - 14:43

e. Trading hours in case the last day of March or September is during the interim holidays of Pesach and of Sukkot, respectively:

	Bonds	M.K.M. and Institutional
Pre opening phase	09:00	09:00
Opening phase	09:30-09:35	09:30
Pre close phase	14:10- 14:11	14:10- 14:11
Closing trading phase	14:38 - 14:43	14:38 - 14:43

2. In derivatives:

	Regular days	In the interim holidays of Pesach and Sukkot
Begin of trading	09:30	09:30
End of trading	16:30	14:45

RESTRICTION ON OPEN POSITIONS ON SHARE OPTIONS

The total of a client's open positions to one side (the rising market side or the declining market side, as the case may be) shall be as specified below:

For a derivative for which the underlying asset is:	It shall not be greater than
Ratio participation unit	40,000
Isramco participation unit	30,000
Bank Leumi share, Bank Hapoalim share	16,000
Teva share	18,000
Discount Bank share	8,000
Avner participation unit	20,000
Bank Mizrahi Tefahot share	5,000
ICL share	a. In respect of series of options issued before March 24th, 2011 – 8,000. b. In respect of series of options issued after March 24th, 2011 – 32,000.

However, in the case of a derivative for which the underlying asset is a share, in respect of a client who only holds synthetic contracts to credit and in respect of a client who only holds synthetic contracts to debit, the restriction shall not exceed double the restriction on open positions prescribed in the above table.

ORDER TO TURNOVER RATIO IN TRADING DERIVATIVES
BY THE USE OF QUOTE GENERATORS

1. The maximum order to turnover ratio is seven orders for each option or future traded in those orders.
2. The maximum order to turnover ratio for quote generators – for those approved by the Stock Exchange as primary dealers of options on shares or of options on non-linked Israel Government bonds – shall be eight orders for each option or future traded in those orders.
3. The maximum order to turnover ratio for options on the TA-25 index, in respect of the series with the exercise date that comes after the nearest exercise date (hereafter: "the following exercise date"), and for options of the series with the exercise date after the following exercise date shall be calculated with 15,000 options subtracted from the number of orders for those options that were submitted.
4. The maximum order to turnover ratio for options on non-linked Israel Government bonds shall be calculated with 10,000 options subtracted from the number of orders for those options that were submitted.
5. The maximum order to turnover ratio for share options shall be calculated with 10,000 options subtracted from the number of orders for share options that were submitted.
6. Those approved by the Stock Exchange as primary dealers of options on shares by the use of quote generators shall be given a daily quota of 30,000 orders for each share option, in respect of which they act as primary dealers. The said quota shall not be taken into account in the calculation of the maximum order to turnover ratio that is prescribed for those approved by the Stock Exchange as primary dealers of options on shares.