



הבורסה לניירות ערך

The Dual-Listing Law:

An Important step towards Globalization of the Israeli Capital Market

Background

The dual-listing law enables companies traded on U.S. markets to dual-list on the TASE with no additional regulatory requirements. The process saves these companies the costs of reporting to two different regulatory systems. In addition, the TASE has decided to exempt dual-listed companies from listing rules, maintenance regulations, and listing fees.

Dual-listing on the TASE provides many benefits for U.S./U.K.-traded Israeli companies and for investors, as well as for the Israeli securities industry as a whole. The dual-listing law enables companies to list easily and at no cost.

Thirty-seven companies have dual-listed on the TASE since October 2000.

The dual-listing law came into effect in October 2000. At that time, it was determined that the law would apply to companies traded in the United States on the NYSE, Nasdaq National Market, and AMEX. In light of the success of dual-listing, the arrangement was expanded to apply to companies traded on the London Stock Exchange's Main Market, as well as companies on the Nasdaq Small Cap list with a market capitalization greater than \$30 million at the time of listing.

This article reviews the main rules of dual-listing and its benefits for companies that are incorporated outside Israel.

Benefits of Dual-Listing

The Companies' Perspective

1. Broadening the Investor Base and Increasing Trading Volume

Dual-listing increases liquidity, trading volumes, and the number of investors, thereby positively affecting company valuations:

A. New Investor Segments

- Israeli investors, both institutional and retail, who are currently not investing in U.S./U.K.-traded securities. Both institutional and retail investors are expected to substantially increase their holdings of shares that dual-list on the TASE. The TASE's low transaction costs, convenient time zone, and trading currency (the Israeli shekel) will all contribute to greater Israeli involvement in trading.
- Index funds and ETFs (exchange-traded funds) tracking the TA-25, TA-100 and Tel-Tech Indices, as well as traders of TA-25 Index options.

- U.K. and continental European-based institutional investors, who will find the Tel Aviv Stock Exchange easier to access than Wall Street and will benefit from much lower transaction costs (for U.S.-traded shares).

B. The “Home Market Effect”

- **Local Awareness and Familiarity:** The companies gain strong domestic presence; Israeli investors are familiar with their managements, employees, and products.
- **Local Derivatives Lift Share Volume:** New shares to be included in the TA-25 Index will especially benefit from active trading in TA-25 Index options.
- **Greater Relative Exposure:** Most Israeli companies traded in the U.S. are small in U.S. market terms, but will be considered large on the TASE.

C. The Time Zone Difference (for U.S.-traded shares)

- Dual-listing enables more than 14 hours of continuous trading and increases liquidity and trading volume. Trading on the TASE also takes place on Sundays and U.S. national holidays.

2. An Additional Trading Arena

The TASE provides dual-listed companies with an additional trading arena and a wider investor base. This “home court advantage” is especially important for small and medium-sized shares, whose U.S./U.K. trading volumes have dropped substantially since 2000.

The Investor’s Perspective

1. Much Lower Trading and Clearing Costs

The TASE’s trading and clearing fees are low. For traders on the TASE, there are no dealer spreads and there is no need to convert foreign currency to shekels and vice-versa.

2. Extended Trading Hours

Dual-listing extends a share’s trading hours. U.K. and continental European investors will find U.S.-traded shares easier to trade during their regular business hours.

3. Fast and Efficient Settlement

Securities clearing via the TASE Clearing House is fully automated, seamless, and executed on the trade date.

The New Regulatory Framework: How Does a Company Dual-List on the TASE?

Who Is Eligible?

Companies that have traded on the Nasdaq, the New York Stock Exchange, the American Stock Exchange, or the London Stock Exchange's Main Market (Primary Listing) for at least a year since their IPOs are eligible to dual-list. Also eligible are companies that have traded for less than a year but maintain a market value exceeding \$150 million. For companies traded on the Nasdaq Small Cap, there is also a requirement for minimum market cap. of 135 million shekels. In addition, all of the company's outstanding shares must be of one class.

The dual-listing law was enacted to enable Israeli companies to dual-list, but it empowers the Israel Securities Authority to allow foreign companies traded on U.S./U.K. markets to dual-list as well.

How Does a Company Dual-List?

- A. Apply to the Israel Securities Authority (ISA) for eligibility to dual-list under the dual-listing law⁽¹⁾.
- B. Submit a simple listing application to the TASE and receive the TASE's approval for listing. No other approvals are required, and companies are not required to pay TASE listing fees.

The listing application includes:

- A technical document that includes basic information about the company and its shares, such as the company's name and address, contact details, types of securities, etc.
- For companies traded in U.S. markets: The company should enclose its latest annual report (F-20 or K-10) and any prospectus published in the U.S. in the year prior to the year of the annual report. Any prospectus filed in the U.S. in the year prior to or following the latest year covered by the annual report should be enclosed as well.
- For companies traded in London: The company should enclose the last prospectus published or the last annual (periodical) report published in the U.K. which includes information similar to that of the prospectus.
- In addition, the company should enclose interim reports or other announcements for immediate release that it has disseminated since its annual report or most recent prospectus.
- Companies do not need to translate any of the above-mentioned documents into Hebrew.

(1) Israeli companies are not required to receive the ISA's approval for dual-listing.

What Happens Once Trading Begins?

A. Reports to the Israeli Securities Authority⁽²⁾

- The company will file its quarterly or semi-annual and annual reports, as well as news releases disseminated in the U.S./U.K., with the ISA.
- All financial reports will be filed according to the U.S./U.K. time schedule.
- Material information will be disseminated according to the Israeli time schedule.
- Companies need not translate reports and announcements into Hebrew.
- Companies must notify the TASE about changes in their share capital, including the allocation of shares and convertible securities.
- Companies should submit copies of reports on changes in share holdings received from interested parties and other shareholders.
- Shortly after receiving material information from a company, the TASE disseminates the information through its website (maya.tase.co.il).

B. Request to Halt Trading in Tel Aviv

The TASE's rules for trading halts apply to all dual-listed companies. However, the TASE has the discretion to temporarily halt trading, at a dual-listed company's request, until trading begins in the U.S./U.K. The purpose of the rule is to avoid the possibility that a company might disseminate material information and trading would start on the TASE before the U.S./U.K. market opens.

C. Stock-Option Plans

The rules for stock-option plans for employees are identical to the rules that apply to Israeli companies traded only in the U.S./U.K.

D. Other Private Placements

- If a report was filed in the U.S./U.K., it should be filed with the ISA and the TASE as well.
- Dual-listed companies are not bound by the TASE's rules for private placements by non-dual-listed companies.

How Does a Company Delist?

The only action a company needs to take in order to delist its shares is simply to give three months' notice to the TASE.

(2) All reports are filed with the ISA electronically.