רשות ניירות ערך
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سلطة الأوراق المالية

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Permissions Concerning Engagement with Clients

A. Background

In several places in the Securities Regulations (Trading Platform to its Own Account), 5775-2014 (hereinafter: "**the Regulations**") the Chairman of the Israel Securities Authority[1] has been authorized to permit a company holding a license to run a trading platform (hereinafter: "**Company**") to act in a different way from that prescribed in certain regulations (hereinafter: "**Permissions**").

This document consolidates the conditions, where applications to receive Permissions in matters connected to a Company's engagement with its clients have been approved and which are likely to be relevant for other companies.

It should be noted that a Company wishing to receive a permission by virtue of the sections set out in detail in this document shall be required to apply to the Authority individually.

It should be clarified that the Chairman of the Authority may change the conditions of the Permissions at any time.

[1] Or an employee who has been authorized by the Chairman of the Authority.

As of November 15th, 2022, new Permissions for companies holding a license to run a trading platform came into effect concerning warnings in online advertising and the conditions thereof are set out in detail below in Part B.

B. Permissions concerning warnings in online advertising

Pursuant to Regulation 40(c)(1) of the Regulations: **"Any written advertisement shall include a warning in this form:**

(1) The activity on the platform requires skill, knowledge and an understanding of the risks and is not suitable for everybody;

(2) Leveraged activity involves a tangible risk of a complete loss of the investment funds within a short time;

(3) The Company operating this platform is operating as an opposite party to transactions with you, and therefore it is the seller when you are purchasing and it is the purchaser when you are selling." (hereinafter: **"the Fixed Warnings"**)[2]

Subsequently, Regulation 40(d) prescribes that if **"the Chairman of the Authority or an employee who has been authorized therefor in writing is convinced that the matter does not harm the clients, he may allow the Company not to include the warnings set out in detail in Sub-section (c)(1), wholly or partly, as the case may be."**

The following are the conditions where applications by companies holding a license to run a trading platform to receive permission for not including the Fixed Warnings in advertising made via various online methods have been approved:

1. **Accumulative conditions where the Company has been given permission not to include all the Fixed Warnings in an advertising banner:**

[2] Regulation 40(c)(2) prescribes that the Fixed Warnings shall not apply with regard to the Company's name and trademark, the Company's letterhead, stickers, as well as any other marketing or advertising product.

A. The area of the banner does not allow the Fixed Warnings to be included[3];

B. The banner shall display at least one of the first two warnings[4] included in the Fixed Warnings or, alternatively, the following warning: "**Activity on the platform involves risking your money**"; if the information included in the advertisement (on the banner) concerns one of the topics included in the Fixed Warnings, the relevant warning should be included;

C. The banner shall display a disclosure in the following version: "**[the rate of clients losing money on the trading platform according to the Company's latest Annual Report]% of the clients lost money during trading on this platform**". If the area of the banner does not allow this disclosure to be included in addition to the warnings pursuant to Section B, the disclosure regarding the rate of clients losing money on the trading platform shall be displayed only on the landing page, according to the text prescribed in Section E below;

D. The warning, including the disclosure according to the above sections, shall be displayed clearly and prominently;

E. Clicking on the banner shall send the user, **before** he reaches the trading system or the registration page for the platform, to a landing page (including the Company's website) which shall include **all** the warnings required pursuant to Regulation 40(c). As part of the warnings a disclosure shall be displayed in the following version: " **the rate of clients losing money on the trading platform according to the latest Annual Report filed to the Authority by the Company is [ ]% of the total number of active clients**". The warnings, including the disclosure, shall be displayed clearly and prominently and at all times at the front of the landing page screen. Transition from the landing page to

[3] That is to say, insofar as the anticipated size of the banner, taking into account the electronic media (for example: personal computer, tablet or cellphone) via which it is due to be displayed, allows all the warnings to be displayed, the permission shall not apply to this advertising.

[4] For the avoidance of doubt, the Company cannot suffice itself with the last warning included in Regulation 40(c)(1).

the trading system or the registration page for the platform shall be **solely under the client's control**.

2. **Accumulative conditions where a Company has been given permission not to include all the Fixed Warnings in advertising made in online search results in search engines:**

A. If the Company has control over the content of the search results[5]:

1. The search results shall display at the very least one of the first two Fixed Warnings[6],or, alternatively, the following warning: **"Activity on the platform involves risking your money"**; if the information included in the search result concerns one of the topics included in the Fixed Warnings, the relevant warning should be included;

2. The search results shall display a disclosure in the following version: **"[The rate of clients losing money on the trading platform according to the Company's latest Annual Report]% of the clients lost money during trading on this platform"**. If the search results area does not allow this disclosure to be included in addition to the warnings pursuant to Section A.1 above, the disclosure regarding the rate of clients losing money on the trading platform shall be displayed only on the landing page, according to the text prescribed in Section A.3 below;

3. Clicking on the search results shall send the user, **before** he reaches the trading system or the registration page for the platform, to a landing page (including the Company's website) which shall include **all** the warnings required pursuant to Regulation 40(c). As part of the warnings a disclosure shall be displayed in the following version: **"The rate of clients losing money on the trading platform according to the latest Annual Report filed to the**

[5] For example - within the framework of sponsored search results.

[6] For the avoidance of doubt, the Company cannot suffice itself with the last warning included in Regulation 40(c)(1).

Authority by the Company is [ ]% of the total number of active clients". The warnings, including the disclosure, shall be displayed clearly and prominently and at all times at the front of the landing page screen. Transition from the landing page to the trading system or the registration page for the platform shall be **solely under the client's control**.

B. When the Company **does not have control** over the content that the online user sees within the framework of the online search results, the requirement to include the warnings set out in detail in Regulation 40(c)(1) shall not apply to the Company.

3. **Accumulative conditions where a Company has been given permission not to include all the Fixed Warnings in an advertisement made on social media:**

A. The area defined for the advertisement by the social network does not allow the Fixed Warnings to be included;

B. The advertisement has been defined solely for mobile devices (cellphones and tablet);

C. The advertisement shall display at the very least one of the first two Fixed Warnings[7],or, alternatively, the following earning: **"Activity on the platform involves risking your money"**; if the information included in the advertisement concerns one of the topics contained in the Fixed Warnings, the relevant warning should be included;

D. The advertisement shall display a disclosure in the following version: **"[The rate of clients losing money on the trading platform according to the Company's latest Annual Report]% of the clients lost money during trading on this platform"**. If the area of the advertisement does not allow this disclosure to be included in addition to the warnings pursuant to Section C above, the disclosure regarding the rate of clients losing money on the trading platform shall be displayed only on the landing page, according to the text prescribed in Section F below;

[7] For the avoidance of doubt, the Company cannot suffice itself with the last warning included in Regulation 40(c)(1).

E. The warning, including the disclosure, shall be displayed clearly and prominently;

F. Clicking on the link in the advertisement shall send the user, **before** he reaches the trading system or the registration page for the platform, to a landing page (including the Company's website) which shall include **all** the warnings required pursuant to Regulation 40(c). As part of the warnings a disclosure shall be displayed in the following version: " **the rate of clients losing money on the trading platform according to the latest Annual Report filed to the Authority by the Company is [ ]% of the total number of active clients**". The warnings, including the disclosure, shall be displayed clearly and prominently and at all times at the front of the landing page screen. Transition from the landing page to the trading system or the registration page for the platform shall be **solely under the client's control**.

C. Permission in the matter of obtaining the client's consent via other electronic media

Pursuant to the Regulations, when the Company engages with a client it must inform him concerning the circumstances where there is a conflict of interest and obtain his written consent[8]. The Regulations further prescribe that a written framework agreement shall be drafted and signed in writing[9] by the client[10].

Notwithstanding the above, the Chairman of the Authority may permit a Company to obtain the client's consent via other electronic media, if he has found that the method of displaying the document and its content and the method of granting the electronic confirmation enable a thorough examination of the document before the client approves it.

The following are the conditions where a Company has been permitted to obtain the client's consent via other electronic media:

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[8] Regulation 8(b) and Regulation 8(d).

[9] Written consent is defined in the Regulations: including written consent sent by the client via the Postal Authority services or via facsimile or via electronic mail.

[10] Regulation 27(a).

1. The document requiring approval by the client shall be displayed to the client in full. The client shall have no discretion whether or not to open the document;
2. The client shall be given the opportunity to scroll down and read the document from beginning to end;
3. The approval box where the client will be required to mark that he has read and approves the document shall be displayed to the client after he has scrolled down the content until its end;
4. With regard to the framework agreement – an approval box shall be added in the Warnings Section (Part A) in addition to the approval box at the end of the document;
5. The client shall be given the opportunity to print the document and/or to receive it in his private email inbox, before the client gives his approval, without any dependency on the Company's discretion in the matter;
6. The approval box shall be drafted in the following manner, as the case may be – "I confirm that I have read what is written in the framework agreement / the warnings (Part A of the framework agreement) / in the conflict of interest policy";
7. The framework agreement and the conflict of interest policy shall be displayed before the client separately[11].

Contact persons: Gal Rajuan, CPA; Adv. Shani Lusana;

Telephone: 03-7109970, fax: 03-7109901

[11] Pursuant to Regulation 8(e) messages concerning the conflict of interest document shall be sent to the client separately from any other document, so that the client's attention is drawn to the contents thereof.