

TEL AVIV STOCK EXCHANGE
הבורסה לניירות ערך תל אביב

ISRAEL SECURITIES AUTHORITY

Going Public: A Guide to the IPO Process in Tel-Aviv

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Going Public: A Guide to the IPO Process in Tel-Aviv

An initial public offering (IPO) for listing on a stock exchange is a momentous milestone in the life of a corporation. As part of this process, the company must prepare itself in advance to make the internal adjustments in organizational processes necessary to align itself with the requirements placed on reporting companies (i.e., any company which has issued stocks, bonds or other securities to the general public). "Going public" means that it will be compelled to meet such requirements, including: preparing financial reports according to the accounting principles applicable to reporting companies, preparing a draft prospectus and a prospectus as stipulated in law, engaging in discussions with the Israel Securities Authority (hereinafter: "ISA") and the Tel Aviv Stock Exchange (hereinafter: "TASE"), etc.

This guide is designed to clarify and illustrate the process of undertaking an initial public offering in Israel, and to provide some preliminary answers to companies contemplating to issuing securities (shares and/or bonds) on the TASE. The guide seeks to address various issues and questions which may arise in securities offerings, such as: the duration of the process, the various stages an issuer is required to undergo, the parties relevant to the process, etc.

The guide is based on the relevant legislation in force at the time of its writing, existing staff opinions and accepted best practices. At the same time, however, one must not view this guide either as an all-embracing, exhaustive document on the offering process nor as a legal source upon which one can exclusively rely. It is necessary to examine the provisions of the law, TASE Rules and Regulations, and additional ISA opinions to receive a fuller picture of the subject.

In addition, companies interested in dual-listing on the TASE are invited to consult the Guide for Dual-Listed Companies, posted on the ISA website.



IPO Timeline

Preparation

1 Testing the Waters
2 Appointment of professional consultants
3 Announcing intent to apply for a permit
4 Token issuance

The IPO process

1 Applications to the ISA & TASE
2 Meeting with the ISA
3 Publication of a draft prospectus
4 Road show
5 Book building
6 Prospectus publication
7 Public tender (optional)

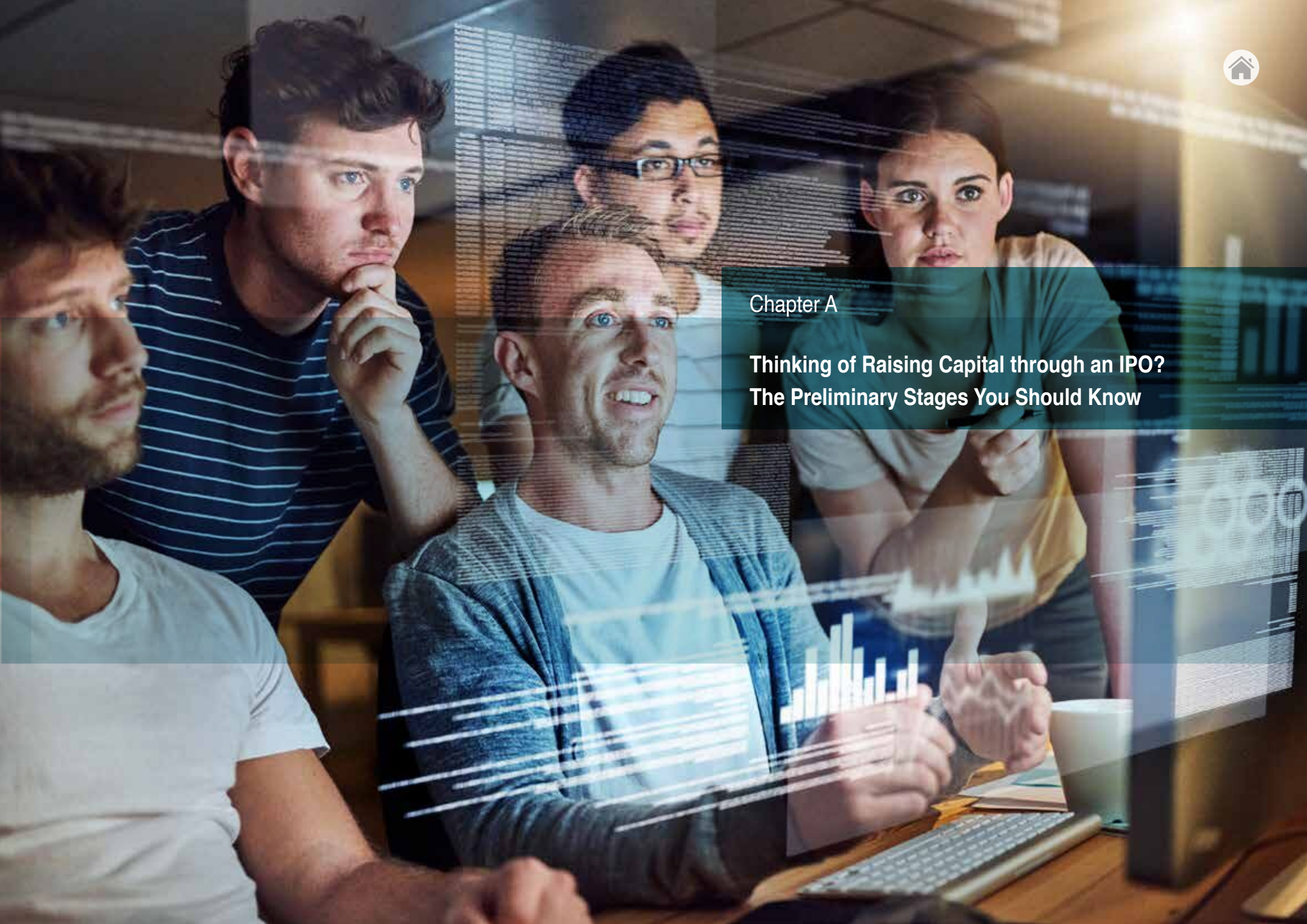
2-3 Months

2-3 Weeks

Final stages

1 Offering results
2 Opening of trading

Up to 4 days



Chapter A

Thinking of Raising Capital through an IPO? The Preliminary Stages You Should Know

1 "Testing the Waters"

An IPO is a momentous milestone in the life of a corporation, involves significant costs in both financial and managerial resources for the corporation. Therefore, the ISA allows interested corporations to test the waters for a securities offering by establishing preliminary contacts with accredited investors [1] prior to the securities offering under a prospectus.[2] Testing the waters with prospective accredited investors enables companies to gauge the interest in their products and operations and whether there is demand for the securities they seek to offer - without cost to them. In addition, prospective issuers so interested may turn to the TASE to receive assistance in finding appropriate underwriters to initiate the process.

There are four main stages to testing the waters:

Stage 1 – meeting with IPO consultants and financial intermediaries.

In this stage the company meets with a number of underwriters/IPO consultants and presents their activity to them.

Stage 2 - compliance examination with threshold criteria.

This stage focuses on examining the company's competence to the criteria for listing on TASE.

Stage 3 – market test.

In this stage the underwriter/IPO consultant sets up meetings between the company and a number of prospective investors. The company presents its activities to the investors, who later inform the underwriter/IPO consultant if there is interest on their part to consider the investment, and whether they believe that the company is a good fit for the Israeli capital market.

Stage 4 – decision making and setting a schedule for the offering process.

In this stage the company decides if it is interested in going forward and make preparations for the IPO.

1 The relevant accredited investors are those stipulated in Schedule One of the Securities Law, 5728-1968 (hereinafter: the "Law"), with the exception of Section 12 of Schedule One to the Law.
2. For further discussion, see: ISA Staff Opinion 103-38: Preliminary Contacts with Accredited Investors- Testing the Water posted on the ISA website.

2 Appointment of Professional Consultants

Prior to starting the IPO process, it is advisable to appoint professional consultants to assist the company in scheduling the offering and to shepherd it through the process:

1 Underwriter

The role of the underwriter is to shepherd the company through the IPO, structure the offering in conjunction with the company, set timetables, prepare marketing materials, prepare the company for meetings with institutional investors and manage investors' orders.

The underwriter plays a key role in the success of an offering and is responsible for bridging corporate expectations with the will of investors to complete the IPO at an optimal price for the parties involved. In addition, the underwriter is responsible for insuring the offering by providing an underwriting commitment to the offering entity, for performing due diligence on the issuing company and for signing the prospectus.

For further information regarding the duties of underwriters in public offerings, see Chapter B, Article 5 below.

2 Distributors

Unlike underwriters, distributors are responsible solely for marketing the IPO. Distributors undertake to exert their "best efforts" to successfully market the offered securities to the buyers. They do not commit, however, to insure the IPO by purchasing the offered securities should the offering be under-subscribed. They are also not required to sign the prospectus.

For further information regarding the role of distributors in the IPO process, see Chapter B, Article 8.4 below.

3 Securities Lawyer

Attorneys take part in the drafting of the offering prospectus and are responsible for advising on the legal aspects of the offering and handling issues that may arise throughout the process with the ISA and TASE.

4 Independent Auditor

The issuer is required to appoint an accounting firm for the offering, which is responsible for auditing the financial statements attached to the prospectus, according to accepted accounting principles.

5 IPO Consultant

In certain cases, an issuer will choose to engage an IPO consultant in addition to an underwriter or distributor. The IPO consultant is an objective party with extensive knowledge on the capital market, particularly regarding the sector in which the issuer operates. It can advise the company throughout the IPO process on various issues, such as: Is the economic climate ideal for the IPO? What kind of demand exists for the company's securities? How many securities should the issuer offer in the IPO and in what price range?

6 Internal IPO Project Manager

This internal manager serves on behalf of the company as project manager for the IPO. The manager works with the various parties involved in the IPO, ensures that scheduled deadlines are met and promotes the offering in accordance with the objectives laid out by the corporate management.

3 IPO Costs

The cost of public offerings consists of several elements, such as fees to the various consultants (attorneys, accountants, underwriters, etc.), fees collected by the ISA and TASE as well as ancillary expenses. In addition, the cost is usually derived from the structure of the offering and its scope. For these reasons, it is difficult to determine what the precise cost of the IPO process is. At the same time, it is worth noting that cost of going public in Israel is considerable low relative to other developed markets.

In order to illustrate the picture, the following outlines the costs incurred by an issuing entity in fees to the ISA and TASE, both during the IPO and after, once the company trades on TASE.

ISA fees [3]

1 Application fees for a permit to publish a prospectus

This fee comprises a fixed sum and an additional variable fee, which is derived from the number of securities issued and the value of the proceeds.

A fixed fee of NIS 4,340.

Additional variable fee - 0.03% of the greater of: (1) total proceeds received according to the prospectus for the offered securities; (2) total face value of securities listed for trading.

2 Annual fees for reporting companies*

Equity (thousand NIS)	Annual fee (NIS)
Up to 44,327	34,245
Between 44,327 and 88,655	42,815
Between 88,655 and 278,052	65,090
More than 278,052	113,050

*** In the year a company's securities are initially listed for trading, the fees are set on a pro rata basis.**

3. As of 1.1.2022, ISA fees are updated on an annual basis on the first of January of each year, and this in accordance with changes in Israel's Consumer Price Index. The announcement of the updated fees is posted on the ISA website.

3 IPO Costs (Cont.)

TASE Fees [4]

1 Equity

a. Vetting fees for an IPO company: NIS 10,210.

b. Listing fees: 0.02% of the market capitalization of the company on the day of the IPO up to a ceiling of NIS 334,950.

c. Annual fees*:

Market Capitalization (million NIS)	Fees (NIS)
Up to 300	5,166
Between 300 and 500	15,498
Between 500 and 1,000	20,664
Between 1,000 and 2,500	30,996
Between 2,500 and 10,000	41,328
More than 10,000	51,659

Annual fees are set according to the market capitalization of the company's shares and convertible securities on the final trading day of the previous year.

*** IPO companies are entitled to a fee exemption during the first calendar year their securities are listed for trading on TASE.**

2 Bonds

a. Vetting fees for an IPO company: NIS 23,988, shelf offering – NIS 10,210.

b. Listing fees: 0.01% of a series valued up to NIS 200 million, set minimum of NIS 3,695; 0.02% of a series valued over NIS 200 million.

c. Annual fees*:

Bond Market Capitalization (million NIS)	Fees (NIS)
Up to 200	5,166
Between 200 and 500	10,332
Between 500 and 1,000	20,664
Between 1,000 and 2,000	30,996
Between 2,000 and 10,000	41,328
More than 10,000	51,659

Annual fees are set according to the market capitalization of the company's bonds on the final trading day of the previous year.

*** IPO companies are entitled to a fee exemption during the first calendar year their securities are listed for trading on TASE. Companies that list both equity and bonds shall pay annual fees to TASE for both the equity and the bonds, as stipulated in the tables above. However, the total annual fees a company pays, shall not exceed NIS 61,992.**

4. As of 1.1.2022, TASE fees are updated on an annual basis on the first of January of each year, and this in accordance with changes in Israel's Consumer Price Index. The announcement of the updated fees is posted on the TASE website.

4 Announcing Intent to Apply for a Permit to Publish a Prospectus

A corporation seeking to offer securities to the public is required to obtain a permit issued by the ISA to publish a prospectus. To obtain such a permit, it must formally apply for the permit (hereinafter: "Permit Application").[5] As a preliminary step in this process, prior to submitting the permit application, the corporation must deliver an announcement to the ISA staff stating its intention to submit a permit application. It must deliver this announcement to the ISA staff at least 90 days prior to the final date for receiving a permit based on the relevant report (see the quarter allocation table in Chapter A, Article 7 below), which must indicate, inter alia, the approximate date anticipated for the submission of the permit application, and what class of securities (equity/debt, etc) it intends to offer in the prospectus (providing that it is not a shelf offering).

5 Token Issuance and Signature Verification

Correspondence between the corporation and the ISA staff is conducted through the MAGNA system (the ISA's electronic data gathering and disclosure system). This system will also serve the corporation at a later stage to receive and disseminate all disclosures it must make to the public. Corporate access to the system is enabled through signature verification and a token, which is issued to the company following its submission of an "application for initial registration of a reporting entity" form (hereinafter: "Initial Registration Application").[6]

The initial registration application includes an application for initial registration of a reporting corporation's authorized electronic signatory.[7]

The company must submit the initial registration application after sending the announcement to the ISA staff regarding its intention to submit an application for a prospectus publication permit.

6 Reporting Language[8]

A company completing an IPO in Israel can opt to report (solely) in English instead of Hebrew. Reporting in English is an additional initiative in the ISA's efforts to facilitate the access for international investors to the Israeli capital market. In other words, corporations have the opportunity to write prospectuses and submit current and periodic reports solely in English, provided that they state so in the IPO prospectus.



5. For further information on submitting a permit application, see Chapter B, Article 3.1 below.
6. Initial Registration Application Form as posted on the ISA website.
7. Under Securities Law Regulations (Signature Approval), 5763-2003.
8. Securities Law Regulations (English Language Reporting), 5781 – 2020.

7 A Quarterly Outline of Key Deadlines for Planning a Public Offering

	Q1 (financial report for 31 March)	**Q2** (financial report for 30 June)	**Q3** (financial report for 30 September**)**	**Annual** (financial report for 31 December)
Final Date for Financial Report Release (Quarterly/ Annual)	31 May	31 August	30 November	31 March
Final Date for Announcing Intent to Submit Permit Application	31 May	31 August	30 November	28/29 February
Final Date for Submitting Permit Application	30 June	30 September	31 December	1 April
Final Date for Receiving a Permit Based on Relevant Report ("End of Quarter")	31 August	30 November	28/29 February	31 May

Please note that a small company[10] that has issued shares only is not compelled to submit quarterly report and is entitled to release semi-annual reports (for 30 June and 31 December) instead. In light of this, the final dates for such companies to receive a permit to publish a prospectus based on their annual report or semi-annual report is 31 August and 28/29 February respectively.

9. With the submission of a prospectus permit application, the company is required to concurrently submit to TASE its securities listing application. For further information on applying for a TASE listing, see Chapter B, Article 4.1 below.
10. For further information of small companies and additional small company relief, see Chapter B, Article 11 below.



Chapter B

The Offering Process

1 Public Offering Methods

Public securities offerings are usually carried out in one of two manners – non-uniform offerings (hereinafter: "Book Building") and uniform price auctions (hereinafter: "Dutch Auction").[11]

The type of ISA and TASE vetting that corporations are required to undergo as a result of offering method – Book Building or Dutch auction - is not materially different. However, given the differences between the two types of offerings, and the legal provisions governing each method, there are certain distinctions which apply to the IPO process arising from the method of offering chosen. A detailed description of the Book Building offering process follows in this guide below.

For further discussion on the Dutch auction offering method, the major distinctions between the two methods, and the changes that will occur in the process for corporations opting for Dutch auction, see Article 8 in this chapter below.

Book Building

The book building process in Israel is essentially similar to the method practiced in most developed capital markets. This option gives the offering entity the discretion to selectively discriminate between subscribers to the offering in terms of the amount of the offered securities it allocates to each subscriber. The price set in the book building process is a result of negotiations between the issuer and the subscribers to the offering, which are primarily institutional investors. [12]

The book building method is not solely for institutional investors. Within the framework of the book building process, the offering entity may offer securities to the public at large as well. The public offering is conducted as a second stage in the offering process, in which 30% of the offered securities are offered to retail investors at the same price offered to the institutional investors, through an auction on the amount allotted for public sale. The auction to the public is conducted under the rules applicable to uniform price offerings, and the allocation of the securities between participants is proportional to their orders.

Underwriting – The undertaking of a book building is contingent on receiving a firm commitment from an underwriter to insure the offering, i.e. a commitment to purchase at least 25% of the securities offered if the offering is under-subscribed and securities are left unsold. [13]

Prior commitment – The offering companies have the option of soliciting prior commitments from institutional investors to purchase securities offered in the offering, at maximum rates of 80%, 90% or 95% of the total quantity of securities offered, contingent on the value of the said securities.[14] It is important to note that companies can solicit prior commitments only after they publish a draft prospectus to the public.[15]

> Within this context, there can be some overlap between securities for which a prior commitment was made and securities insured under the underwriter's commitment, thereby reducing the risk undertaken by the underwriter in the offering.

11. Both methods are regulated in Israel under the Securities Law Regulations (Manner of Offering Securities to the Public), 5767-2007 (hereinafter: "Public Offering Methods Regulations").
12. As defined in the Public Offering Methods Regulations. In this context, it should be noted that in contrast to customary practice in other countries, in Israel, credited investors are not included in the group of investors that is entitled to participate in book buildings.
13. For further discussion on the role of underwriters, see Article 5 in this chapter below.
14. As stipulated in Regulation 11 of the Public Offering Methods Regulations.
15. For further discussion regarding public draft prospectus, see Article 3.3 in this chapter below.

2 Stages of an Offering

A short description of the stages in the book building IPO process follows.

1) Testing the waters	In IPOs companies have the option to test the feasibility of the IPO by establishing preliminary contacts with prospective accredited investors prior to the publication of an offering prospectus or draft prospectus.[16]
2) Investor road show	The road show is an optional stage in which the IPO company presents its activity and intention to raise capital to institutional investors, with the purpose of soliciting their participation in the IPO. The road show provides the company with information which serves to assist it and the underwriter in setting the final structure of the offering. **It is important to note that companies can embark on road shows only after they publish a draft prospectus to the public. In addition, during this period, they are prohibited from negotiating with institutional investors about the terms of the securities and from taking firm purchase orders, without first publishing a draft prospectus.**[17]
3) Book building stage	Pursuant to the negotiations held with institutional investors and the preliminary "buy" orders, the price at which the securities will be sold in the IPO is set. The issuer is then able to select how to allocate the sold securities between investors. In this context, it is important to reiterate that while the number of securities allocated to each investor varies, the price is identical for all participants in the offering.
4) Prospectus publication	Following the book building stage, the issuer is required to publically publish a final prospectus. The publication of a prospectus is conditioned on receiving a permit from the ISA and approval by TASE, as is outlined in detail in Articles 3 and 4 of this chapter, below. Issuers may offer up to 30% of the securities offering to the general public, at the same price these are offered to institutional investors. Companies interested in offering its securities to the public shall publish the final prospectus. Upon publication, the public will be able to subscribe to the offering by submitting orders for the securities offered. At the end of the subscription period, a Dutch auction is held, as will be outlined below. Even if the issuer elects not to issue securities directly to the public, it must publish the final prospectus following the book building stage, and in so doing, the offering process is completed.
5) Public participation In the offering	As mentioned above, this stage is optional and its purpose is to let the public at large take part in the offering. Retail investors interested in participating in the public offering, submit their orders to purchase the desired number of securities, for the price set by the issuer during the book building stage. The allocation between investors is proportional: the quantity ordered by the investor divided by the total number of orders in this stage.
6) Publication of the results	At the end of the process, the issuer must disclose in a public report details regarding the number of securities sold and the proceeds from this sale. In addition, it is required to disclose the company's revised capital balance and to affirm that the proceeds from the offering have been received in full.[18]

16. For further discussion, see Chapter A, Article 1 above.
17.See Q&A 5.1 in the resolution 106-2: Underwriting – Questions and Answers Regarding the New Regulations posted in Hebrew on the ISA website.
18. In accordance with the provisions of Securities Law Regulations (Announcement Regarding the Results of an Offering Under a Prospectus), 5730 – 1969 (hereinafter: "Announcement of Offering Results Regulations").



3 Vetting of a Prospectus by the ISA Staff

3.1 Application for an ISA permit to publish a prospectus

Corporations seeking to offer securities to the public are required to obtain a permit from the ISA to publish a prospectus. The application for a permit must be submitted at least 60 days prior to the final date for receiving a permit based on the relevant report (as stipulated in the timetable in Chapter A, Article 7 above). At the time of submission, the issuer is required to pay permit application fees.[19] In addition, the following documents must be submitted with the application form: a draft prospectus; the issuer's incorporating documents (and an affidavit signed by an attorney attesting to their validity); a copy of the minutes of the issuer's board of directors meeting approving the draft prospectus, or an affidavit signed by an attorney attesting to the fact that the draft prospectus has been duly approved by the board; in the event that the issuer contracted with underwriter for the offering, an affidavit signed by the underwriters affirming their agreement in principle to serve as underwriters for the offering; a power of attorney given to the attorney representing the issuer in communications with the ISA.

3.1.1 Draft prospectus

The draft prospectus includes all detail that will later appear in the prospectus released to the public, with the exception of details regarding the pricing and quantity of the securities offered.[20] The draft prospectus must include the following chapters: the securities offering; intended use of proceeds; principal shareholders and senior officers; a description of the issuer's business activities; directors' report; financial statements; attorney's legal opinion, and other details about the issuer. Generally speaking, the general principles inscribed in the Law apply to the draft prospectus, which require that any and all information that may be important to a reasonable investor considering the purchase of the offered securities must be included, and prohibit the inclusion of misleading information.

3.2 Vetting of the draft prospectus by the ISA staff

After receiving the first draft of the prospectus, the ISA issues a letter to the issuer (with a copy to its attorneys), confirming receipt of the draft and listing the members of the vetting team, who will contact the issuer for further handling.

When vetting the draft prospectus for an IPO, the team usually holds a meeting in person with the company's representatives, both as a means to get to know them and to discuss key professional issues emerging from the prospect. Immediately after the meeting, the vetting team issues a concise letter to the company, which summarizes the main material issues brought up in the meeting. The company is required to prepare a written response to the issues raised by the vetting team (hereinafter: "Issuer Responses to the Letter") and to submit a corrected draft prospectus addressing the written comments and those discussed in the meeting (hereinafter: "Second Draft Prospectus"). The company is not required at any stage to make the second draft prospectus public.

If, in the opinion of the team handling the issuer responses to the letter, the disclosure rendered in the second draft prospectus is insufficient, and/or if in its opinion, there are legal, accounting or other issues requiring further clarification, the team will hold additional discussions with the company's representatives.

19. As stipulated in Regulation 2 of the Securities Law Regulations (Application Fees for a Prospectus Publication Permit), 5755-1995. For further information on fees charged by the ISA and TASE, see Chapter A, Article 3 above.
20. As stipulated in Securities Law Regulations (Details of a Prospectus and Draft Prospectus- Structure and Form), 5729 – 1969 (hereinafter: "Prospectus Details Regulations").

3 Vetting of a Prospectus by the ISA Staff (Cont.)

3.3 Public draft prospectus

The duration of handling and vetting a draft prospectus by the ISA staff, from the time of submission until the time a permit is issued, is usually around two to three months.[21]

During this period and until the issuance of the permit, the issuer is entitled to make the draft prospectus public, and if it so chooses, it is entitled to conduct a road show to begin marketing the IPO and solicit prior commitments from accredited investors (including institutional investors). As mentioned above, this stage is entirely optional, it is not an intrinsic part of the IPO process and the issuer is not obligated to engage in these activities.

Nonetheless, the actual sale of securities can take place only after the publication of the prospectus for which the ISA granted a permit for its publication.

Specification of a price range on the draft prospectus

Generally speaking, the issuer is not required to refer in the draft prospectus to the price and quantity of the securities offered, but it may do so. Furthermore, the issuer is entitled to specify a range of prices for its offered securities on the public draft prospectus, and even to change this price range on subsequent public drafts, which it can make public without limitation until the date the final draft is made public. In the final draft, the issuer is required to specify both a price (rather than price range) and the quantity of securities issued. The difference between the price and quantity quoted in the final draft and those appearing in the final prospectus, may affect the date on which the subscription period of the public auction begins.

3.4 Obtaining an ISA permit

The ISA will issue a permit to publish a prospectus if it is satisfied that the prospectus complies with the provisions of the Law and the dictates of the ISA under it. [22] In other words, a permit will be issued after all issues discussed with the vetting team have been resolved, such that the final draft prospectus meets all legal requirements and addresses the comments raised by the ISA staff; and after TASE approves the listing of the issued securities.[23] After obtaining the ISA permit, the issuer is required to submit the final prospectus and all professional opinions and authorizations contained within it, signed and sealed. [24]

It is important to note that the permit issued by the ISA staff does not verify the details presented in the prospectus nor does affirm the credibility or completeness of them nor does it express any opinion as to the quality of the securities being offered.

3.5 Timetables

Generally speaking, under normal circumstances, the process of obtaining a permit takes two to three months from the time an application is submitted, subject to addressing the ISA staff's comments to its satisfaction and complying with the time schedule set by the vetting team. The failure of the issuer to comply with the time schedule, as dictated by the team, could lead to the elongation of the handling process and may result in the issuer not receiving a permit by the end of the quarter. However, should this occur, the issuer may continue the vetting and handling process with the vetting team in the following quarter, based on the submission of supplemental materials are required. In light of the above, in instances in which the prospectus may contain complex issues, it is advisable to submit the application for a permit before "the final day of submitting a permit application". [25]

The process of obtaining a permit takes two to three months from the time an application is submitted

21. For further information regarding the time table, see Article 3.5 in this chapter below.
22. As stipulated in Section 21 of the Law.
23. For further information regarding TASE's approval of listing the issued securities for trading, see Article 4.3 in this chapter below.
24. In accordance with Section 14(b) of the protocol for handling applications for permits to publish a prospectus for companies and limited partnerships.
25. For details regarding "the final date to submit a permit application" for each quarter, see Chapter A, Article 7 above.

4 Vetting of a Prospectus by the TASE

4.1 Applying for a TASE listing

Companies completing an IPO must receive the approval of TASE to list the issued securities for public trading. **An application for listing securities** [26] **must be submitted to TASE on the same day as the application for an ISA permit is submitted** and at least 40 days prior to the date the issuer applies for an IPO.

The issuer must attach a number of documents to the application, including: a signed copy of the draft prospectus, including a chapter on the offering securities (describing the securities for which the listing is requested); the draft will be marked in comparison to a similar prospectus of another listed company, which was published in the past six months preceding the date of application; certification by an attorney that the signatories to the application and its annexes are authorized to sign on behalf of the company and that their signatures together with the company seal are legally binding; and a letter of undertaking to the TASE Clearing House.

Validity period of the application

Generally speaking, if the company does not allocate the securities and does not publish a shelf prospectus within six months of submitting the application, the validity of the application shall expire.

In addition, if during the course of deliberations on the application, the company releases updated financial statements, the deliberation of the application will be based on the updated financial statements that were released.

26. Links to the application forms:
    1) Application form for an IPO listing;
    2) Declaration of shareholder equity prior to listing
    3) Public offering structure form



4.2 Vetting eligibility against TASE listing requirements

4.2.1 Equity IPOs

Companies embarking on an IPO are required to fall into one of three categories for which alternative listing rules have been set – new company, R&D company, or a limited partnership.[27,28,29]

The listing rules are set in TASE's Rules and the Regulations under them lay out criteria that each new issuer must meet before completing an IPO:

1) Capital requirements;
2) Operating history;
3) Free float;
4) Distribution standards.

These rules are designed to insure that only companies with actual business activity are admitted to TASE and that a sufficient volume of securities are issued to the public to facilitate fair and orderly trading after the offering. In addition, the rules establish a lock-up period following the offering. During this period trading in the issued securities by parties holding these securities prior to the public offering is prohibited.

It is worth noting that under the provisions of the Law, a company undertaking an IPO is limited to issuing only one class of shares from its paid-in capital. [30]

Alternative listing criteria for "new companies"[31]

A company seeking to list its shares for the first time on TASE must meet at least one of the following alternative sets of criteria (Data in NIS million):

	Alternative A	Alternative B	Alternative C 1 (large-cap companies)	Alternative C 2 (large-cap companies)
Post-listing shareholders equity (1)	25	35	--	--
Float-adjusted market cap	20	30	80	125
Operating history	12 months	12 months	--	--
Value-added in 12 months prior to listing (2)	4	--	--	--
Float-adjusted market cap deriving from the shares issued in the IPO on which the listing request is based	20(3)	20(3)	80	-
Total market cap of company's shares	--	--	200	500

(1) Post-listing shareholders equity – pre-listing shareholders equity plus the net proceeds from the offering of shares and warrants.
(2) Value added – earnings (losses) before taxes plus salaries, depreciation and financial expenses.
(3) Does not apply to companies with a float-adjusted market capitalization greater or equal to NIS 40 million.

27. "New company" – a company whose shares are not listed for trading and requests to do so", as stipulated in Chapter 9 to the Second Part of the TASE Rules.
28. "R&D company" as defined in Chapter 6 of the Regulations under the Second Chapter of TASE Regulations.29. For further information regarding TASE's approval of listing the issued securities for trading, see Article 4.3 in this chapter below.
29. "Limited partnership" as defined in Chapter 17 of the Second Part of the TASE Rules.
30. Section 46B of the Law.
31. For further information regarding the alternative listing criteria for R&D companies and limited partnerships, see the TASE website.

Free float and free float ratio in IPOs

The free float ratio of a new company (excluding R&D companies) shall be no lower than the alternatives stipulated below. As the market capitalization of the offering increases, the proportion of shares which must be offered to the public decreases.

When the free float in a stock offering (in million NIS) is greater than:	Minimal free float ratio
20	25.0
30	20.0
40	15.0
50	10.0
200	7.5

Share distribution standards

The free float must be distributed between a minimum number of shareholders, as follows:

	Minimum number of shareholders	Minimum value of shareholding
Shares	100*	NIS 16,000

*If an agreement to appoint a market maker is stipulated in the prospectus, a minimum of only 35 shareholders is required.
"Shareholder – a single shareholder, whose holdings exceed the minimal value, as indicated in this table; or a shareholder together with others, whose combined holdings exceed the minimal value of holdings for a single shareholder.

4.2.2 TASE listing requirements for corporate bond offerings

TASE's listing requirements for public corporate bond offerings lay out alternative tracks of eligibility for companies that have already listed shares on TASE- and companies publically offering bonds for the first time. The various tracks can be summarized as follows:

1 Compliance with one of the following "equity track" or "non-equity track" alternatives:

Equity track:

Alternative A	Shareholders equity of at least NIS 24 million;
Alternative B	Shareholders equity of at least NIS 16 million and a local bond rating of BBB or Baa3;

Non-equity track:

Alternative A	Local bond rating of A- or A3; or international bond rating of BBB or Baa3
Alternative B	Capitalization of the bond series of NIS 200 million;
Alternative C	Reserved for companies with shares already listed on TASE - market capitalization of listed shares of NIS 200 million

2 Free float of a bond series – NIS 36 million

3 Share distribution standard - at least 35 bond holders, with holdings of at least NIS 200,000 each.[32]

In addition, an issuer can set in the terms of the bonds certain conditions, under which it is entitled to call an early redemption of the bonds.

32. For a definition of "bondholder", see the definition of "shareholder" in the minimal dispersion table in Article 4.2.1 in this chapter above.

4.3 Obtaining TASE approval of the prospectus

At the end of the listing application process, after receiving comments from TASE on the draft prospectus and implementing required revisions, and after setting the quantity of securities and the structure of the offering, TASE will issue the company its approval to list the offered securities. TASE's approval is valid for 60 days, and it specifies the details of the securities for which a listing is sought, including the quantity of each class of security, the criteria that the issuer must meet for the TASE listing and the auction number.

If an issuer publishes a supplemental prospectus,[33] a principle approval will be given regarding the classes of securities offered on the day the prospectus is published, and approval of the quantities will be given on the date the supplemental announcement is made.

4.4 Timetable

In general, the vetting process at TASE lasts around two months, and is held concurrently with the prospectus vetting process undertaken by the ISA staff.[34]

> The vetting process at TASE lasts around two months

4.5 Lock-up rules [35]

As mentioned above, the TASE listing rules include provisions for a lock-up period applicable to the issuer's shareholders prior to the IPO.

These lock-up provisions apply to all types of companies:

	Lock-up period	First day on which certain holdings can be sold on-exchange	Portion permitted for sale
Principal shareholders [36]	18 months	After 3 months	2.5%
Other shareholders [37]	9 months	After 3 months	12.5%

1. Starting three months following the listing date and until the completion of the lock-up period, these shareholders are entitled to sell the stipulated portion of their total locked up holdings in public trading, i.e., on-exchange transactions

2. Starting from six months following the listing date, locked-up securities can be sold in off-exchange transactions, with the caveat that the buyer assumes the lock-up conditions for the duration of the lock-up period.

3. Locked-up shares can be sold in non-dilutive secondary offerings, in which the proceeds go to the shareholder rather than the company.

33. For further information regarding supplemental prospectuses, see Article 7.1 in this chapter.
34. This depends in large part on the complexity of the prospectus and subject to the implementation of the TASE staff's comments.
35. Chapter 4 of the TASE Regulations under the Second Part of the Rules.
36. Referred to in the Law as "party with an interest" and defined in Section 1 therein. The definition includes, inter alia, holders of convertible securities and rights to receive shares, which if exercised ("fully diluted") would qualify their holders to be considered principal shareholders ("parties with an interest" under the Law).
37. Shareholders holding shares and convertible securities for less than one year.

4.6 Listing and commencement of trading

At the close of the offering process, in order to conduct a final vetting of the issuer's compliance with TASE's listing rules, the issuer is required to submit a number of reports and certifications:[38] a current report (referred to as "immediate report" in Israel) summarizing the results of the offering, which specifies the number of securities sold and the proceeds from their sale; a current report detailing the issuer's capital balance, which includes, inter alia, the total number of issued securities and explicitly states that the proceeds for them have been received in full; a letter from the trustee responsible for overseeing the securities' lock-up, which affirms that the securities of the company's principal shareholders following the offering have been deposited in trust to its account; signed certification from a nominee company affirming the deposit of the issued securities with the nominee company; a statement of securities' distribution and confirmation of the payment of the listing fees to TASE. Following receipt of these required documents, TASE posts on its online corporate announcement system (hereinafter: "MAYA") the commencement date for trading in the company's securities.

Clearing and settlement of the offering

The mediation carried out throughout the course of an IPO between investors and TASE is conducted by the lead underwriter (referred to in the Law as the "price-setting underwriter"). The underwriter is responsible for collecting orders submitted by the public, issuing certification for the issuer and TASE regarding the number of securities issued, etc. In addition, at the end of the IPO process, the lead underwriter transfers requests to debit the accounts of those participating in the offering to the various TASE members, collects the proceeds in a separate trust account and ultimately transfers these proceeds to the issuer. At the same time, the TASE Clearing House deposits the issued securities in the accounts of the TASE members, after receiving confirmation from the nominee company selected by the issuer, certifying the deposit of all the issuers outstanding shares at the nominee company.

38. With the close of the public auction (if held), or the completion of the sale to institutional investors (if no public auction is held).



5 Underwriting

The underwriter is the professional firm, active in the capital market, which assists the issuer throughout the IPO process. Underwriters are required to register in the Underwriter Registrar administered by the ISA and to meet certain qualifications, and the ISA supervises their activity.

The underwriter has three key functions:

1 **To market and distribute the IPO -** Underwriters serves as an intermediary between the issuer and potential investors, and this capacity assists in the pricing of the offered securities. Given their close familiarity with the market, underwriters are capable of considering all relevant factors contributing to the proper pricing of a public offering.

2 **To insure the IPO -** Underwriters are obligated to purchase from the issuer in a securities offering securities not subscribed to by the public (hereinafter: "Offering Insurance").

3 **To serve as a gatekeeper -** Underwriters conduct due diligence on the issuer (as articulated below) and signs the prospectus. They assume responsibility for making sure there are no misleading statements in the prospectus and contribute to the transparency and quality of disclosure regarding the issuer's activity. The underwriter bears responsibility towards those purchasing the securities in the public offering and towards the holders of these securities in the secondary market (i.e., the stock exchange) as well. It is worth noting that under the provision of the Law, underwriters enjoy safe harbor protections against tort claims, if they can prove that they took all proper measures, including undertaking due diligence, to ensure that the prospectus is devoid of misleading information.[39]
One should also take note that the responsibility placed on underwriters is not contingent on their signing the prospectus. Signing the prospectus is symbolic and designed to inform the signatory of the responsibility it already holds.

A corporation undertaking a book building is required to receive a firm commitment from the underwriter affirming offering insurance of at least 25% of the value of the offered securities. In addition to this commitment by the underwriter, however, the issuer and the underwriter have the option to solicit prior commitments from institutional investors to purchase the offered securities, at the rate of 80%, 90% or 95% of the total offering, depending on the value of the offered securities.[40] Within this context, there can be overlap in the number securities for which prior commitments are given and the amount covered in the offering insurance provided by the underwriter, and in such cases, the liability assumed by the underwriter is reduced. The mandatory contracting with an underwriter, which serves also as a "gatekeeper" for the IPO, insures the assumption of responsibility by it for the contents of the prospectus.
In contrast, in Dutch auctions, the Law does not compel issuers to contract with an underwriter as part of the public offering process.[41] In this context, it is worth noting that despite the fact that the Law does not require contracting with an underwriter when undertaking a Dutch auction, when the issuer is a corporation with primarily foreign ownership and which conducts most of its business abroad, the ISA views contracting with an underwriter serving as gatekeeper in a positive light which can give weight to its considerations in approving a permit to publish a prospectus.

Underwriting agreement

An underwriting agreement shall be signed between the issuer and an underwriter setting the terms regarding the scope of the underwriter's firm commitment to purchase the offered units and the minimal unit price and detailing the fees to which the underwriter is entitled, etc.[42]

Underwriter obligations

Various principles inscribed in law designed to prevent potential conflicts of interest in underwriting, and to insure that the underwriter acts in good faith and in accordance with fit and proper criteria.

39. Section 33 of the Law.
40. As per Regulation 11 of the Public Offering Methods Regulations
41. For further information regarding the distinctions between Dutch auction and the book building process, see Article 8.2 in this chapter below.
42. In addition, under Regulation 63 of the Prospectus Details Regulations, the issuer is required to disclose the rate of underwriting fees it has undertaken to pay to the underwriter.



6 Appointment of a Nominee Company

Under the TASE Rules, all corporations must register all its outstanding shares in the name of a nominee company, as a condition for listing its shares for trade on TASE.

Four nominee companies currently operate in Israel:

- Mizrahi-Tefahot Nominee Company, Ltd.
- The Nominee Company of Bank Hapoalim, Ltd.
- Discount Bank Nominee Company, Ltd.
- The Tel Aviv Stock Exchange (TASE) Nominee Company

Functions of nominee companies

A nominee company operates in two primary areas:

1 Registering securities in its name after a public offering in the securities registry of an issuing company and depositing these securities in the TASE Clearing House for the benefit of the clearing house members.

The nominee company serves as a trustee for the TASE Clearing House concerning inventory management of the issuer's securities registered with the TASE clearing house. In addition, the nominee company has an organization place for conducting audits and handling adjustments to security holder registration with both the clearing house and the issuer.

Changes to the inventory of securities may occur frequently, as the result of myriad types of transactions in them: the deposit of securities in an offering, the exercise or conversion of warrants and convertible securities, securities redemptions, tender offers, various payments, mergers and corporate actions necessitating changes to securities inventories, etc.

2 Processing corporate actions and payments – regular handing of the rights attached to securities.

Nominee companies play two central roles in the processing of corporate actions and payments:

- Issuing expected payment reports and reconciliation of payments with the issuer prior to the designated payment day.
- Controlling the proper and timely execution of payments.

7 Publication of the Final Prospectus

Once TASE's approval of the prospectus and the ISA permit are obtained, the issuer is entitled to publicly publish the prospectus on MAGNA.[43] The final prospectus includes, inter alia, the chapters included in the draft prospectus as well as certification of TASE's approval to list the offered securities for trading, underwriting agreements, the commitment to avoid arrangements not detailed in the prospectus, etc.

7.1 Supplemental prospectus

The "supplemental prospectus" allows issuers to set the final terms of the IPO as close as possible to the auction to the public.[44] The mechanism designed to enable the issuer to publish certain details in a supplementary announcement, outside of the framework of the final prospectus, subsequent to its publication but prior to the auction to the general public. The details that can be included or revised in a supplemental announcement comprise a closed list, set in regulations to the Law,[45] which primarily includes the principle tenets of the underwriting agreement, and certain revisions regarding either the quantity or price of the offered securities.

7.2 Shelf offerings

In certain circumstance, a public offering can take a long time and involve significant expense. One of the important means to enhance corporate access to the capital market and to overcome these hurdles is shelf offering.

Shelf offering provides the basis for companies to raise capital from the public on demand for a period of 24 months from the date a shelf prospectus is published (this period can be extended for an additional 12 months, subject to the approval of the ISA). The offerings conducted under shelf offering are referred to as "takedowns" [from the shelf], which are initiated without the need of an additional ISA permit, by the publication of a shelf offering report (with some exceptions as specified in law). A shelf offering takedown is based on the issuer's disclosure in the original shelf prospectus as well as ongoing regular disclosures – quarterly financial statements and current reports (disclosures submitted by the issuer following the publication of a shelf prospectus are considered to be "incorporated by reference" in the shelf offering report).

Companies generally are not required to decide at the time the shelf prospectus is published which securities to offer, under what terms, or when a takedown will take place. The issuer can decide in accordance with its financial needs and market conditions, which will find expression in the shelf offering report.

It is important to note that the shelf offering can be conducted within the framework of an IPO,[46] and that companies can take advantage of it to expeditiously raise additional future rounds of capital. However, if the IPO is a shelf offering, the issuer must actually issue securities around the time the shelf prospectus is published. The prospectus cannot be used solely as an umbrella for future, "to-be-determined" offerings.

> Shelf offering provides the basis for companies to raise capital from the public on demand for a period of 24 months from the date a shelf prospectus is published. During this period companies can raise capital by publishing a shelf offering report, and without an additional ISA permit.

7.3 Shelf offering report

Following the publication of a shelf prospectus, for a period of 24 months, issuers in a shelf offering are entitled to offer securities to the public based on shelf offering reports. In general, with few exceptions stipulated in law, the issuer is not required to obtain an ISA permit to publish a shelf offering report. The shelf offering report includes all the material changes or modifications that have taken place in the corporation on any matter that would otherwise be included in a prospectus. In addition, the shelf offering report must include a description of the offered securities and their terms. From the date of its publication, statements in the shelf offering report become an integral part of the shelf prospectus, and its legal status for all intents and purposes is that of the prospectus.

43. For further information on the MAGNA system, see Chapter A, Article 5 above.
44. Section 16 (a1)(2) of the Law.
45. Securities Law Regulations (Supplemental Announcement and Draft Prospectus), 5767 – 2007 (hereinafter: "Supplemental Announcement Regulations").
46. Subject to meeting the eligibility criteria set in Securities Law Regulations (Conditions for Offering Securities under a Shelf Prospectus, 5767 -2005.
47. Securities Rules (Cases in Which the Publication of a Shelf Offering Report Requires an ISA Permit), 5776 -2016 stipulate a few circumstanced in which an issuer is required to obtain a permit from the ISA prior to publishing a shelf offering report. For example, the publication of a shelf offering report will be contingent on an ISA permit when: the issuer is a reporting company whose bonds are listed on TASE and is offering its shares for the first time to the public; an offering of securities within the framework of an exchange tender offer; an offering of asset-backed bonds; complex or innovative securities offerings, etc.

8 Dutch Auctions

Israeli law does not require companies to conduct a book building as a single manner of offering. The Law also allows corporations to undertake public offerings by way of single-price, uniform offering, also known as a "uniform price auction" or "Dutch auction". In general, the stages in the vetting and approval process companies undergo with the ISA and TASE are similar, whether one is speaking about a uniform or a book building process. At the same time, however, in light of the distinctions between the methods and the legal provisions pertaining to each, certain modifications to the offering process apply. In the following pages, we describe the Dutch auction process, analyze the primary distinctions between the two offering methods, and highlight the variations applicable to companies opting to undertake a Dutch auction.

8.1 The Dutch auction process

In distinction to an offering under the book building process, Dutch auctions are open to institutions and individuals alike and are usually carried out as an auction on the price of the securities (or securities units) being offered. The issuer proposes the quantity of securities in the offering, while subscribers submit bids on the price and quantity. Practically speaking, the number of securities offered is usually set according to the outcome of the preliminary auction for institutional investors, based on the prior commitments the issuer receives at this stage.[48] Ultimately, the price set, based on the outcome of the public auction, is the highest price at which the issuer is able to sell all the offered securities. At the end of the process, the securities are allocated between participants whose bids were equal or greater than the sales price set in the auction. In other words, the "uniformity" of the offering is expressed in the equal terms applying to all auction participants, in both the preliminary and the public auctions.

One should note that in framework of a Dutch auction, while issuers are required to set a minimum price at which the securities are to be sold in the offering, they are prohibited for setting a ceiling price.[49]

Underwriting – In contrast to the book building process, issuers in Dutch auctions are not required to secure a firm commitment from an underwriter as offering insurance. They have the option to engage with one or more distributors instead [50]. However, when the issuer's ownership and activity is primarily foreign, the ISA views contracting with an underwriter in the role of "gatekeeper" favorably, and assigns weight to this in their considerations in granting a permit to publish a prospectus.

Prior commitment - Issuers are entitled to solicit prior commitments from accredited investors (including institutional investors) to purchase securities in a Dutch auction, subject to the payment of prior commitment fees, and at ratios of 80%, 90% and 95% of the total offering, depending on the value of the offered securities. [51]

8.1.1 Interest rate auctions

Public corporate bond offerings can be conducted through auctions either on bond prices (like public stock offerings), or alternatively through auctions of the interest rate attached to the bonds (hereinafter: "Interest Auction"). Issuers seeking to undergo an interest auction must indicate the maximum denominated interest rate it is willing to pay, and the orders submitted by investors will stipulate rates equal to or lower than it as well as the quantity of bonds the investor will purchase at the said rate.

8.1.2 Dutch auctions with allocation ranges

In Dutch auctions, issuers designate the total number of offered securities in the prospectus and the minimal price for them. In contrast to these, some Dutch auctions stipulate a range of quantities and the minimal price. Following the publication of the prospectus to the public and the submission of investor orders, the issuer conducts one auction for all investors (without drawing a distinction between "retail" (individual) and institutional investors), and can subsequently, at its sole discretion, decide what volume of orders it will accept, based on the total received in the auction.

In such offerings, prior commitments by institutional investors are not accepted, and accordingly no prior commitment fees are paid to them.

48. For further information of preliminary auctions and the stages of uniform offerings, see Article 8.3 in this chapter below.
49. Section 17c of the Law.
50. For further information regarding underwriting and distribution in uniform offerings, see Article 8.4 in this chapter.
51. In accordance with Regulation 4 of the Offering Methods Regulations.

8 Dutch Auctions (Cont.)

8.2 Key distinctions between a Dutch auction and a book building

	Dutch auction	Book building
Entitled to participate	Access to the public	Designated for institutional investors. Can allocate up to 30% to the general public.
Selection of offerees and amounts allocated	Not possible	Issuers choose to which investors to allocate and how much is allocated to each investor.
Manner price is set in offering	Auction - price (or interest rate on bonds) is set as a function of the outcome of the auction.	Price set in advance through negotiations between the issuer and institutional investors. Should the issuer opt to hold a public auction as well – price in the auction is identical to the price negotiated with the institutional investors.
Prior commitment	Possible to receive prior commitments from intuitional investors* for up to 95% of the total offering, in exchange for fees. Minimum commitment of NIS 800 thousand **.	As in Dutch auctions***.
Underwriting	Underwriting optional	Underwriting for at least 25% of the offering mandatory.

* As defined in the Public Offering Methods Regulations.

** As stipulated in Regulation 4 of the Public Offering Methods Regulations.

*** However, in a book building, the payment of prior commitment fees is contingent on the provisions of Regulation 11(a)(1) of the Public Offering Methods Regulations.

8 Dutch Auctions (Cont.)

8.3 Stages of an IPO

1) Testing the waters [52]	
2) Road show [53]	
3) Sale to accredited investors in a preliminary auction	Following the road show, the issuer may hold a preliminary auction dedicated solely to accredited investors. In the preliminary auction, investors submit buy orders specifying both the amount and price of the offered securities (hereinafter: "Preliminary Auction"). Since issuers are not compelled under law to contract with an underwriter in Dutch auctions, the preliminary auction enables them to secure the success of the offering even without the insurance provided by an underwriter. In this context, it should be noted that accredited investors can participate in preliminary auctions if their orders amount to at least NIS 800 thousand (NIS 400 thousand in the case of R&D companies). In addition, during this preliminary auction stage, there is a ceiling of 95% placed on the amount issuers can receive as commitments from accredited investors. These commitments are given, as aforementioned, in exchange for fees paid by the issuer. Issuers are entitled to hold preliminary auctions to accredited investors on the basis of their published final draft prospectus, prior to receiving the permit from the ISA to publish the final prospectus, on which the public auction is based.
4) Publication of the prospectus	In the final prospectus published under the ISA permit, issuers must disclose the results of the preliminary auction and the identity of its participants, including the number of securities and prices proposed by them in their bids. The disclosure of these data assists retail investors in their decision making during the public auction.
5) Public auction and commencement of the subscription period	The objective of this stage is to allow public at large (i.e., retail investors) to participate in the offering and to enable accredited investors to improve the bids they submitted in the preliminary auction. While they are permitted to improve the prices submitted during the preliminary auction, they are not allowed to alter the number of securities to which they committed. The subscription period is set by the issuer and is specified in the prospectus. It can begin as of five business days following the release of the prospectus to the public.[54, 55] During the subscription period, the bids are transferred to the parties authorized to receive them, who then transfer them to the coordinator of the offering (through secure e-mail), who holds on to them until the auction is completed.
6) "Opening the envelopes" and securities allocation	At the end of the subscription period, after all bids are transferred to the coordinator of the offering, the coordinator builds the demand curve for the offering. The price set at the end of the auction is the highest price in which the issuer sells all the offered units. Bidders who offered a higher price than the price set, receive the entire amount to which they subscribed (except in cases in which the minimum distribution standard is not met [56]). Bidders who offered the price set in the public auction will receive the securities on a pro rata basis, proportional to the total number of orders submitted at that price.
7) Public disclosure of the results	At the end of the process, the issuer is required to publically release a report detailing the number of securities sold and the proceeds received for them, as well as a report summarizing the company's capital position, which includes a statement affirming that the proceeds have been received in full.[57]

52. For further information, see Article 2 of this chapter above.
53. For further information, see Article 2 of this chapter above.
54. In the case of a draft prospectus or a supplemental announcement or an offering under a shelf offering report – the subscription period can begin even sooner.
55. Securities Law Regulations (Period for submitting orders for securities offered iunder a prospectus), 5766-2005.
56. Under Regulation 7 of the Public Offering Methods Regulations.
57. As stipulated in the Announcement of Offering Results Regulations.



8 Dutch Auctions (Cont.)

8.4 Underwriting and distribution

In a book-building offering, issuers are legally compelled to contract with an underwriter for at least 25% of the offered securities. This obligation, however, is not place on issuers who opt for a Dutch auction. In light of this, many issuers elect to engage solely with distributors and marketers rather than with underwriters. In this context, it is worth noting that although the law does not compel contracting with an underwriter in Dutch auctions, with regards to companies whose primary ownership and operations are based outside of Israel, the ISA looks favorably upon contracting with an underwriter, in its capacity as a "gate keeper" who performs due diligence on the issuer, and takes this into consideration when deciding if to grant the issuer a permit to publish its prospectus.

In consideration for their marketing activities on behalf of the issuer, distributors are entitled to distribution fees.[58] In contrast to underwriters, who make a "firm commitment" to purchase securities not bought by the public, distributors undertake only to make their "best effort" to distribute the securities. In other words, distributors are not directly affected by the results of the offering. Additionally, in distinction to underwriters, distributors are not required to sign the prospectus or to assume responsibility for the veracity and integrity of its contents. Distributors, as are underwriters, however, are required to meet certain eligibility requirements, although these are less stringent relative to the criteria placed on underwriters.

58. In addition, under Regulation 63 of the Prospectus Details Regulations issuers are required to disclose in the prospectus the rate of the distribution fees it is obligated to pay distributors.

9 Corporate Bond Offerings

Corporations interested in issuing debt to on TASE to be publicly traded can do so – in either a separate offering or as part of stock offering. In this context, one should note that, unlike other markets around the world, corporate bond trading on TASE is conducted as is stock trading and is continuous, liquid and transparent.

The offering process for both shares and bonds is basically the same. There are, however, a few modifications applicable specifically to issuers undertaking a public bond offering, as is explained below.

9.1 Appointment of a trustee

Corporations electing to issue bonds to the general public in Israel are required to appoint an Israeli trustee on behalf of the bondholders and must comply with other additional obligations under Chapter 5A of the Law, regarding, *inter alia,* the deed of trust and its contents.

> Bonds trading on TASE is conducted as is stock trading and is continuous, liquid and transparent.

9.2 Disclosure requirements

As mentioned above, a corporation can make its debut on public markets with a bond offering, and is not required to offer stocks as well. In this context, one should note that a company opting solely for a bond offering is defined under the Law as a "reporting corporation" and the disclosure and reporting provisions applicable to companies that have issued shares to the public (i.e., public companies) apply to it as well.

Moreover, bond issuers face additional disclosure requirements, whether they issued only bonds or shares as well. The aim of these additional disclosure requirements is to provide bondholders with additional information relevant to investment decision-making. For example, the issuer is required to detail in its quarterly directors' report updated information pertaining the bonds (including redemption dates, interest rates, the balance of bonds in terms of face value and their fair value), details regarding the trustee for each bond series, and the issuer's ability to meet all obligations given to bondholders.[59] Should warning signs as to the issuer's ability to service the debt arise, it will be required to disclose in its quarterly reports a projected cash flow statement, which details the sources of cash from which it is expected to pay off its obligations in the coming two years.[60]

9.3 Listing requirements

For information regarding the listing requirements for initial public bond offerings, see Article 4.2.2 of this chapter above.

9.4 Bond ratings

Companies undertaking public bond offerings are not required to contract with a credit rating agency to receive a bond rating. However, there are a number of advantages to having the bonds rated and the ISA extends certain incentives to companies that have their bonds rated by two separate agencies (hereinafter: "Dual Rating"). Among other things, the ISA allows such companies to submit an application for a permit to publish a prospectus 45 days prior to the end of the quarter (rather than the 60 days demanded of other companies)[61] and to undergo an expedited prospectus vetting process.[62]

59. Regulation 10(b)(13) of the Securities Law Regulations (Periodic and Immediate Reports, 5730-1970 (hereinafter: "Periodic and Immediate Reports Regulations").
60. Regulation 10(b)(14) of the Periodic and Immediate Reports Regulations
61. For further information regarding the application for a permit to publish a prospectus, see Article 3.1 of this chapter above.
62. For further information regarding relief for issuers electing to submit to a dual rating, see the Staff Notice on this subject as posted in Hebrew on the ISA website.

10 Relief for Companies Undertaking an IPO on TASE

Companies completing an IPO of their shares on TASE are entitled to a series of regulatory relief measures – regarding corporate governance requirements, offering procedures, reporting requirement – designed to lower the burden going public.[63]

1) Approval in the engagement and tenure of controlling shareholders or parties related to them. [64]

Generally, an approval of the general meeting is required for all related party transactions in public companies. For IPO companies, however, an agreement between the company and a controlling shareholder or a parties related to it, including for the rendering of services to the company, which was initiated prior to an IPO, can receive general meeting approval within five years of the date of the company went public, and subject to the conditions articulated in the prospectus.

The deadline for general meeting approval of transactions approved following the company's going public is either five years from the going public date, or three years from the date the transaction was approved, the later of the two.

2) Approval of the engagement and tenure of corporate offices [65]

IPO companies which set its executive compensation policy prior to the IPO, and described its policy in the IPO prospectus, are required to bring the policy for re-approval within five years from the date of the IPO.

In addition, the company's agreement with the CEO, regarding his/her tenure and employment during the first five years following the IPO date, is not subject to the approval of the general meeting, if the conditions stipulated in Regulation 1B2(c) of the Related Party Relief Regulations are met.

3) Tenure of a person or someone related to him/her serving as chairman of the board and as CEO [66]

The Companies Law, 5759-1999 (hereinafter: the "Companies Law") prohibits the CEO of a public company (or his relative) to serve concurrently as its chairman of the board , except for a three-year period following an explicit resolution of the general meeting. For IPO companies and companies completing an initial public bond offering, this period is extended to five years, if this decision is stipulated in the prospectus or was adopted by the company after the IPO.

4) Exemption from having to appoint a balance sheet committee [67]

Corporations are exempt from having to appoint a balance sheet committee for the first five years following its IPO, and this only if its board of directors comprises less than seven members.

5) Ability to conduct a shelf offering in an IPO [68]

Companies are entitled to go public by undertaking a shelf offering. However, if the IPO is a shelf offering, the issuer must actually issue securities around the time the shelf prospectus is published. The prospectus cannot be used solely as an umbrella for future, "to-be-determined" offerings.

6) Exemption from publishing reports on the effectiveness of internal controls [69]

During the first five years from the date of the IPO, companies are exempt from having to obtain an opinion from an auditor regarding the effectiveness of the companies inter control system.

7) Period for which an issuer is required to publish comparative data in the prospectus and subsequent annual financial statements [70]

In an IPO prospectus and for a period of five years following the IPO, issuers will be required to provide comparative data in the chapter describing its business activity for a period of two (rather than three) years.

63. For further information regarding relief for companies completing an IPO on TASE, see the Regulatory Relief Report, as posted in Hebrew on the ISA website.
64. Regulation 1B(b) of the Companies Law Regulations (Relief for Related Party Transactions), 5760, 2000) (hereinafter: "Related Party Transaction Relief Regulations").
65. Regulation 1(a) of the Companies Law Regulations (Dispensation Regarding the Obligation to Set Compensation Policy), 5773 – 2013 and Regulation 1B2(c) of the Related Party Transaction Relief Regulations.
66. Companies Law Regulations (Validity Period of Decisions under Section 121 of the Law), 5776 – 2016.
67. Regulation 3B of the Companies Law Regulations (Directives and Condition Governing the Financial Statements Approval Process), 5770 – 2010.
68. Securities Law Regulations (Conditions for a Shelf Offering), 5776-2016.
69. Regulation 9B(c1) of the Periodic and Immediate Reports Regulations.
70. Regulation 1(a) of Schedule One of the. Prospectus Details Regulations

10 Relief for Companies Undertaking an IPO on TASE (Cont.)

8) Revision of the quantity and prices of offered securities (within the framework of a supplemental announcement) [71]

Issuers seeking an IPO through a shelf offering and supplemental announcement,[72] can revise the price and quantity of the securities offered in the IPO by up to 50%. In such cases, the minimal duration from the date the supplemental announcement is released and until the beginning of the public auction is two business days.

9) Permission to meet with accredited investors prior to the beginning of the IPO process [73,74]

10) Administrative enforcement relief for certain violations by corporate officers

IPO companies and companies undertaking an initially public bond offering are granted leniency in the enforcement of certain administrative violations made by corporate officers who did not serve in a senior position in the reporting company prior to the date of the IPO. This administrative enforcement relief is valid for a period of three years from the date of the offering.

11) Priority handling of IPO prospectuses by the ISA staff

71. Regulation 1a of the Supplemental Announcement Regulations.
72. For further information regarding supplemental prospectuses and supplemental announcements see Article 7.1 in this chapter above.
73. ISA Staff Opinion105-38 "Preliminary Contacts with Accredited Investors – Testing the Water".
74. For further information regarding "testing the waters", see Article 1 in Chapter A above.



11 Relief for "Small Enterprises"

In order to enable small reporting companies to focus most of their managerial and financial resources on the company's business development, the ISA has adopted a series of dedicated relief measures for these companies, as follows.[75]

11.1. Definition of a "small enterprise" [76]

An entity will be considered a small enterprise if it meets the following criteria:

1

Its shares or participation units (e.g., for limited partnerships) are publicly held –

- The market capitalization of its shares or participation units is lower than NIS 300 million; and
- It is not a constituent in one of the leading capitalization-weighted TASE share price indices.

2

Its bonds are publicly held – the face value of the bonds issued and held by the public is less than NIS 200 million.

11.2. Relief measures for small enterprises [77]

Small enterprises, as defined above, are entitled to take advantage of the following relief measures, either partially or in their entirety, at its discretion:

1

Semi-annual reporting – a small enterprise that has solely issued shares or participation units is not required to publish quarterly financial statements and is entitled to publish semi-annual reports instead.

2

Exemption from publishing reports on the effectiveness of internal controls.

3

Relief regarding the need to attach valuations to disclosures.

4

Relief regarding the obligation to attach financial statements of associate companies.

75. For further information regarding relief for "small enterprises", see the Regulatory Relief Report, as posted on the ISA website.
76. Regulation 5C of the Periodic and Immediate Reports Regulations.
77. Regulation 5D(b) of the Periodic and Immediate Reports Regulations.

12 Dispensation to R&D Corporations

In order to encourage companies operating in high-tech industries to list on the Tel Aviv Stock Exchange, and to facilitate access for these companies to a wide variety of capital raising strategies, dedicated relief measures have been set for corporations included in TASE's TA Tech-Elite share price index (hereinafter: "R&D Corporations"), as stipulated below.[78,79]

12.1. Eligibility criteria for TA Tech-Elite constituency

TASE's TA Tech-Elite index comprises shares of corporations operating in the Israeli technology and bio-med industries. Inclusion in this index is subject to meeting the following criteria:

1. The float-adjusted market capitalization at the beginning of the corporation's shares first trading day on TASE is at least NIS 20 million;
2. The free float rate at the beginning of the corporation's shares' first trading day on TASE is at least 10%;
3. The market capitalization of the shares on the date of their listing is no lower than NIS 100 million;
4. The price of one share stipulated in the IPO prospectus is no lower than 50 agorot (NIS 0.50);
5. The corporation is linked to Israel and its shares are not cross-listed on another securities exchange.

12.2. Relief for R&D corporations [80]

R&D corporations, which are constituents of the TA Tech-Elite index, are entitled to take advantage of the following relief measures, either partially or in their entirety, to their discretion:

1. Publication of financial statements according to the accepted U.S. accounting standards (US GAAP) rather than IFRS;
2. Relief regarding the scope of comparative data in the chapter describing the corporations' business activity (in the prospectus and annual reports); and in the financial statements;
3. Application of relief measures 2-4 applied to small enterprises, as stipulated in Article 11.2 of this chapter above;
4. Relief regarding the disclosure required in the corporation's quarterly reports.

78. For further information on relief for R&D corporations, see the Regulatory Relief Report, as posted on the ISA website.
79. It should be noted that the criteria stipulated below for constituency in the TA- Tech Elite index differ from the criteria set out in the definition of "R&D company" in the TASE listing requirements for an initial share listing (Chapter 6 of the Regulations under the Second Part of the TASE Rules).
80. Securities Regulations (Reports of a Corporation Whose Shares are Included on the TA Tech-Elite Index), 5776-2016.

You chose to issue on the Tel-Aviv Stock Exchange -

all that remains is to wish you good luck and greet you for joining the Israeli capital market.

For any question, don't hesitate to contact us:

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