

## UNDERWRITING ISSUES OF SECURITIES

### Introduction

1. The management of a banking corporation shall determine a policy with regard to its occupation or the occupations of its subsidiaries as underwriter and as being responsible for issues, doing so within the framework of the restrictions specified in this regulation.

### Definitions

2. **“Responsible for issues”** - Someone who is responsible in accordance with section 32 of the Securities Law, 5728–1968;

**“Capital”** - As defined in section A of Appendix A of Directive no. 202 (Constituents of capital). Changes in capital components shall be included as of the end of the month in which the change occurred;

**“Issue”** - Including an offer to sell securities;

- “Commitment as underwriter”**-
- (a) Including any commitment to the underwriter to buy the securities issued after the underwriter has realized his underwriting commitment and including a commitment to assist the underwriter in financing the purchase of the said securities;
  - (b) *Less* the aforesaid commitment in section (a) received from another banking corporation;

- “Subsidiary”** - As defined in the Securities Law, 5728–1968, which is a banking corporation, a bank outside Israel, or an auxiliary corporation;
- “Underwriter”** - As defined in section 1 of the Securities (Underwriting) Regulations, 5753–1993 (henceforth, the underwriting procedures);
- “Control”** - As defined in the Banking (Licensing) Law, 5741–1981;
- “Securities”** As defined in the Securities Law, 5728–1968;

### **Procedures**

3. The management of a banking corporation shall determine procedures on the following subjects:
- (a) Determining the share of the banking corporation or its subsidiary in underwriting the issue, doing so within the framework of the restrictions specified in this regulation;
  - (b) Procedures connected with taking responsibility for the issue by itself or by its subsidiaries.

### **Reservation**

4. The restrictions specified in this regulation shall not apply to underwriting an issue of securities made by a company controlled by the banking corporation.

### **Restriction rates**

5. (a) All the commitments of a banking corporation and its subsidiaries as underwriter of securities issues shall not at any specific point in time exceed 50% of the banking corporation’s capital. For this purpose, commitment as an underwriter of

an issue of non-convertible debentures or of options to buy such debentures shall be calculated as half the amount of the commitment.

- (b) The total commitments of the banking corporation and its subsidiaries as underwriter of the issue of the securities of a specific corporation shall not at any specific point in time exceed 10% of the banking corporation's capital. Nonetheless, if the capital ratio maintained by the banking corporation for the purpose of Directive no. 201 (Measurement and Capital Adequacy -Introduction, Application and requirements calculations) exceeds 12%, the aforesaid 10% ceiling shall be raised by 2 percentage points for each percent above 12%, but in no case shall the ceiling exceed 24%.

#### **Additional restrictions**

6. (a) A banking corporation or its subsidiary shall not undertake to act as an underwriter for a securities issue, if as a result of the underwriting the banking corporation or its subsidiary might purchase securities in another banking corporation which the banking corporation or its parent company do not control. Similarly, the banking corporation or its subsidiary shall not accept responsibility for the securities issue of another banking corporation which the banking corporation or its parent company do not control.
- (b) A corporation whose business is underwriting, shall not deal in another area of investment connected with the business of "a corporation engaging in investments", as specified in Directive no. 322.

#### **Underwriting outside Israel**

7. If a banking corporation or its subsidiary have undertaken to act as an underwriter outside Israel, the reservations listed in chapter 3 of the underwriting regulations, if relevant, shall apply to them.

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