FBC&Co

Where Clients Make Partners

Legal Update **February 2016**

Capital Markets Department

New Legislation Enables the Public Offering of Foreign Fund Units in Israel for the First Time

On February 10, 2016, the Israeli Parliamentary Finance Committee approved regulations ("Regulations") which will enable the public offering of foreign mutual fund units in Israel. The Regulations will take effect within six months from the date of publication.

Prior to the enactment of the Regulations, the Israeli Joint Investment Trust Law permitted the offering of foreign funds in Israel. However, the conditions set out in the Joint Investment Trust Law, particularly the requirement that the Israeli Securities Authority ("ISA") be convinced about the adequacy of the foreign regulatory regime applicable to the foreign fund, meant that in practice, units of foreign funds have not been, up until now, publically offered in Israel.

The Regulations prescribe conditions which a foreign fund must meet in order to obtain approval from the ISA to publically offer its units in Israel, while enjoying an exemption from most provisions of the Israeli mutual funds regulatory regime. The main criteria set out in the Regulations are:

- **Minimum value of assets under management**. The total value of assets managed by the foreign fund manager is at least $20 billion.

- **Volume and minimal trading period of the managed funds**. The foreign fund manager manages at least five foreign funds whose units have been publically traded for at least five years, and the total value of assets held in each of these funds was not less than $500

Please visit us:

www.fbclawyers.com

million for the two years preceding the application (for a permit to offer units in Israel.(

- **Minimum fund value, period of trading, and place of the offer**. The value of the fund's assets is at least $50 million, and its units have been offered for sale in Europe or the United States for at least six months.

- **Appointment of a representative in Israel**. The foreign fund manager has appointed a representative in Israel to liaise with the ISA and with the public unitholders in Israel. The representative can be a local fund manager, a corporation with an Israeli investment advisor or portfolio manager license, or a foreign fund manager or its affiliate - if it has a branch in Israel.

- **Collateral**. The foreign fund manager is required to provide a bank guarantee from an Israeli bank in the amount of at least NIS 1 million, and deposit a cash or securities deposit in an Israeli bank, in the amount or value as prescribed by the Regulations (between NIS 250,000 - 12 million, depending on the value of the units held through Israeli distributors.(

- **If the foreign fund is traded in Israel it must be listed abroad**. If the fund is listed on the Tel Aviv Stock Exchange, the units must also be listed on a foreign exchange.

- **Ongoing publication of unit prices**. Foreign fund prices are published regularly on the internet and are available to the public without charge at any time.

- **Equal rights for local unitholders**. The rights of a foreign fund unitholder which are purchased in Israel, are identical to the rights of every other unitholder.

- The foreign fund does not specialize in investments in Israel.

After receiving a permit from the ISA for the public offering of units in Israel, the offering will be made using the foreign fund's prospectus which was published abroad (in English). The prospectus must attach an appendix containing a Hebrew summary which includes information about its compliance with the terms set forth in the Regulations for the public offer of the fund in Israel, a description of the fund's investment policies, details about fees, information about its performance and information regarding how to purchase and redeem units.

FBC has been advising the Israeli Association of Exchange Traded Funds for several years in connection with the legislative process relating to the regulatory reform allowing the public offering of foreign funds in Israel.

We would be delighted to provide you with further advice in this area.

Sincerely,

Capital Markets Department
Fischer Behar Chen Well Orion & Co.

For further information please feel free to contact:

Adv. Nitzan Sandor nsandor@fbclawyers.com +972.3.6944131

....

The information provided herein is solely for informational purposes and shall not be construed as a legal opinion or legal advice of any sort.

In order to subscribe to or be removed from the distribution list please e-mail: newsletter@fbclawyers.com