

# ANNEX ISRAEL

(EFFECTIVE AS OF 19 11 2020)

MTS Israel is a segment of the MTS Cash Domestic Market MTF organised and managed by MTS S.p.A.



# 1. General Provisions

## 1.1 Definitions

In these Rules the following expressions have the following meanings:

"General Collateral Repurchase Contract"	means a repurchase contract where the securities the subject of the trade are not specified in the Quote or the Order and are selected in accordance with Article 4.5 by the Repo Participant which is the seller of the securities from the basket of Financial Instrument (being eligible securities for the purpose of the general collateral contract traded), and where the seller of the securities at the same time undertakes to purchase equivalent securities from the buyer of the securities at the specified future date;
"ILS"	means the currency of the State of Israel, the New Israeli Shekel;
"ISA"	means the Israel Securities Authority of the State of Israel (or any successor regulatory organisation);
"Market Maker"	means a Participant authorised by MTS to trade on the Market through Orders and/ or Quotes, subject to the obligations and commitments established under these Rules;
"Mid-Price"	means the price for a financial instrument calculated by the Market that a Participant may make an Order to buy or sell;
"Minimum Trading Size"	the minimum quoting and trading quantity for Quotes and Orders as determined by MTS and published in the Rules;
"MoF"	means the Ministry of Finance of the State of Israel;
"On-the-Run Securities"	means those Financial Instruments which the Committee has identified as the most liquid in the Maturity Bucket C as set out in Article 4.10;
"Primary Dealer"	means any entity that has been admitted as a 'primary dealer' (or the equivalent term) by the MoF;
"Repo Participant"	means an institution which is entered by MTS on its list of Repo Participants and which has not been deleted from such list nor has resigned pursuant to the Rules;

“Repo”	means a contract where one Participant sells Financial Instruments to another Participant under the agreement to repurchase the same Financial Instruments at a future date (“term”).
“Spread”	means the arithmetic difference between the price of an offer to buy (Bid) and of a connected offer to sell (Ask) expressed as a percentage; it is expressed in cents for financial instrument and it determines the Quoting obligations for Market Makers as set out in Article 4.10 of these Rules;

## 1.2 Market Rules

1. The MTS Cash Domestic Market Rules apply.
2. The Rules within this Annex are made and may be amended or replaced from time to time by MTS following consultation with the Committee and the MoF.

## 2. Financial Instruments

### 2.1 Financial Instruments

1. Financial Instruments available for trading on the Market shall be debt securities issued by the State of Israel acting through the MoF, including (where the context so permits) the component parts thereof that entitle the holder to future collection of interest (coupon) or that entitle the bearer, on maturity, to repayment of the principal. These Financial Instruments will automatically be selected for trading on the Market, unless, in order to maintain a fair and orderly trading, MTS decides otherwise. Additionally, nominal fixed coupon-bearing and inflation-linked Financial Instruments will be made available for trading if selected by MTS, including upon recommendation of the Committee.
2. Financial Instruments shall meet the following criteria:
  - a) be issued by the State of Israel acting through the MoF;
  - b) having a remaining term of more than 1.25 years at the time of selection;
  - c) having an outstanding amount of at least ILS 2 billion; and
  - d) be centralised in the relevant central securities depository.
3. Financial Instruments that do not comply with the above parameters can nevertheless be made available for trading on the Market by MTS for the purpose of maintaining orderly and fair market conditions and upon proposal by the MoF having consulted with the Committee. Financial Instruments that at any time do not comply any-longer with

the parameters indicated here above can nevertheless remain available for trading if so determined by MTS in order to maintain a fair and orderly trading.

4. When applicable, MTS may make available for trading Grey Market Securities on an as-if-and-when-issued basis from the day on which the announcement has been made to the day on which those securities will have been effectively issued. If it is officially announced that the auction of a particular Grey Market Security will not take place, then that Grey Market Security shall automatically cease to be available for trading on the Market and all Trades that have been concluded in respect of it shall be treated as cancelled.
5. MTS, also upon indication of the MoF, may suspend a Financial Instrument with immediate effect, in relation to that Financial Instrument, normal market conditions have ceased to apply.
6. MTS may lift a suspension of a Financial Instrument if the cause of the suspension no longer applies.
7. The MoF after consultation with the Committee shall determine which (if any) Financial Instruments to recommend to MTS for removal from the Segment. A meeting for this purpose between the MoF and the Committee to be held no less frequently than once every twelve months. In making such a recommendation, the MoF shall have regard to, but not be bound by the criteria below:
  - a) Financial Instruments where the remaining term is less than 1 year;
  - b) Such other factors as the MoF or the Committee may consider appropriate.
8. Any decision by MTS, in consultation with the MoF and the Committee, to remove a Financial Instrument from the list shall be taken in for the purpose of maintaining orderly and fair market conditions and be made after trading hours and shall be announced to all Participants before the commencement of trading on the next Trading Day.
9. Following the determination to remove any Financial Instruments, MTS shall, where practicable, give at least two weeks written notice of such removal to all Market Participants.

## 2.2 Minimum Lots

1. The Minimum Trading Size for each Financial Instruments is determined by MTS, upon proposal of the MoF after consultation with the Committee and is equal to 1 million ILS for spot contracts; and 5 million ILS for repurchase contracts. Participants will only be permitted to enter Quotes and Orders on the Market in excess of the Minimum Trading Size. MTS shall communicate any change in the Minimum Trading Size via email with an advance notice of five (5) Trading Days from the day the change will come into effect.

## 3. Participants

### 3.1 Participant eligibility

1. In derogation to the General conditions for admission specified in the MTS Cash Domestic Market Rules, an applicant must satisfy MTS that it complies with the following requirements:
  - a) it belongs, either directly or via an agent, to the Tel Aviv Clearing House (TACH) (or such other clearing and settlement institution as specified by MTS);
  - b) it is a fit and proper person to be a Participant (including, without prejudice to the generality thereof, that it has an adequate organisation);
  - c) it is a Primary Dealer as appointed by the MoF, (or it has within its Group an entity that is recognised as Primary Dealer by the MoF), unless operating only on the Repo segment; and
  - d) if a Primary Dealer, it shall have a minimum Capital equal to the one required from time to time by the MoF, or (ii) if Repo Participant, it shall have a minimum net worth of ILS 150 million

### 3.2 Admission procedures

1. In addition to the General conditions for admission specified in the MTS Cash Domestic Market Rules, the roles currently available on this Segment are:
  - a) Primary Dealer.
  - b) Repo Participant.

### 3.3 Participant undertakings

1. The MTS Cash Domestic Market Rules apply.

### 3.4 Resignation of Participants

1. In addition to the General conditions for admission specified in the MTS Cash Domestic Market Rules, Participants must also inform the MoF of resignation from the Segment, giving not less than 3 months' notice in writing and specifying the date on which the Participant wishes to terminate its access.

### 3.5 Participant suspension from trading

1. In addition to the General conditions for admission specified in the MTS Cash Domestic Market Rules, MTS shall consult, where possible, with the MoF and the Committee, before taking a decision on suspending a Participant from trading. MTS may order, as a precautionary measure, the immediate suspension from trading of the Participant

involved. The period of precautionary suspension shall be determined by MTS and included in its decision.

### 3.6 Participant exclusion from trading

1. In addition to the General conditions for admission specified in the MTS Cash Domestic Market Rules, MTS shall consult, where possible, with the MoF and the Committee, before taking a decision on deleting any Participant from the relevant list of Participants with immediate effect.

### 3.7 Regional Sub-Committee for MTS Israel

1. In addition to the MTS Cash Domestic Market Rules, Article 3.7.2 to Article 3.7.4 shall apply.
2. Members of the Committee shall be representatives of the MoF, the Primary Dealers, and MTS. MTS shall appoint the Committee in consultation with the MoF. MTS shall not remove any Committee member without prior consultation with the MoF. The Committee shall have such power and authority (including as to the establishment of sub-committees of MTS Israel and the delegation of power and authority to such committees) as MTS may determine following consultation with the MoF.
3. MTS at all times shall have the authority to overrule any decision or action taken by the MoF or the Committee with respect to commercial, technological or regulatory matters notwithstanding the operation of these Rules or the Committee.
4. Where there is a conflict between the MoF and the Committee, the opinion of the MoF shall prevail subject to the condition that any such decisions must not contravene any regulatory requirements of Consob and all other applicable laws, or technical requirements of the Market.

## 4. Trading

### 4.1 General systems operations

1. In addition to the General conditions for admission specified in the MTS Cash Domestic Market Rules, MTS may at any time suspend the operation of all or part (including suspension of one or more Financial Instruments as per Article 2.3 above) of the Segment if MTS determines that normal market conditions do not apply. If feasible under the circumstances, the MoF will be previously consulted.
2. MTS reserves the right to terminate the Segment, in accordance with the relevant Applicable Laws, at any time on giving at least 6 months of notice to the MoF and the Committee and, where practicable, having consulted the MoF and the Committee prior to making its decision to terminate.

## 4.2 Types of Trade

1. In addition to the General conditions for admission specified in the MTS Cash Domestic Market Rules, the types of contracts available on the MTS Israel Segment:
  - a) purchase of contracts;
  - b) sale of contracts; and
  - c) Repo contracts.

## 4.3 Market trading hours

1. Instead of the MTS Cash Domestic Market Rules the following Trading Hours shall be applicable:
  - a) Trading days: TARGET calendar business days except Israel Banking Holidays and Fridays.
  - b) The Trading Hours (Israel time) of the System phases are:

"Pre-Market phase": 9:00 a.m. – 9.30 a.m.

"Offer phase": 9:30 a.m. – 9.45 a.m.

"Open Market phase": 9.45 a.m. – 17:30 p.m.

"Closed Market phase": 17:30 p.m. – 9:00 a.m.

(The descriptions of the phases are the same as in the General Domestic Market Rules)

## 4.4 Quotes and Orders

1. In addition to the MTS Cash Domestic Market Rules, Quotes for Repo contract may be modified or withdrawn at any time but a Repo Participant is obliged to conclude all contracts, at the Repo rate quoted and up to the volume offered prior to such modification or withdrawal, for those Orders which have been confirmed by the Market prior to receipt of such modification or withdrawal.

## 4.5 Contracts

1. In addition to the MTS Cash Domestic Market Rules, Article 4.5.2 to Article 4.5.6 apply for Repo contracts only.
2. Trades are concluded upon the automatic matching of a Quote and an Order or using the Trade Registration functionality.
3. A Trade is deemed to have been entered into at the time the matching of Orders and Quotes is displayed on the Market according to paragraph 4. In the event of any dispute arising regarding such display, the time shown in the recordings by MTS shall prevail.

4. A Quote which is partially matched by an Order shall continue to be considered a Quote for the remaining part thereof and shall maintain the priority originally allocated to it.
5. The following conditions apply to the conclusion of a General Collateral Repurchase Contract:
  - a) in respect of a General Collateral Repurchase Contract, the Repo Participant which is required to deliver the collateral under the repurchase contract identifying the Financial Instrument in question and notifying the counterparty of the same by means of the General Collateral Repurchase Contract allocation functionality. General Collateral Repurchase Contract trades not entered into at the expiry of the maximum period shall be deemed to have been concluded, and the counterparties are therefore required to execute such Trades;
  - b) the counterparty of a General Collateral Repurchase Contract being bound to accept Financial Instruments with coupon payment falling within the duration of the trade if such Financial Instruments are allocated for the execution of a General Collateral Repurchase Contract; and
  - c) the Financial Instruments to be delivered for the execution of a General Collateral Repurchase Contract being determined within a maximum period of two hours from the time of the trade.
6. MTS will monitor the activities of Repo Participants to a repurchase contract to ensure that the Segment is being utilized in an appropriate manner, particularly regarding the identification of Financial Instruments in a timely fashion.

## 4.6 Conclusion and registration of Trades

1. The MTS Cash Domestic Market Rules apply.

## 4.7 Mid-Price crossing

1. In addition to the MTS Cash Domestic Market Rules, the Mid-Price functionality is not available in the Repo Segment.

## 4.8 Trade Registration facility

1. The MTS Cash Domestic Market Rules apply.

## 4.9 Cancellation of Trades

1. The MTS Cash Domestic Market Rules apply.

## 4.10 Market Making Agreements

1. In addition to the MTS Cash Domestic Market Rules, Article 4.10.2 to Article 4.10.5 shall apply to Contracts.
2. Primary Dealers are allocated all Financial Instruments in respect of which they will be required to comply with the Market Making Agreement.
3. The MoF, after consultation with the Committee, shall allocate for the purposes of Article 4.10.2 to make Quotes in certain Financial Instruments amongst Primary Dealers and may, from time to time change that allocation, but normally not more frequently than on a monthly basis.
4. The MoF shall notify each Primary Dealer as to the Financial Instruments allocated to it not less than two (2) Trading Days prior to the commencement of the obligation to make Quotes on such Financial Instruments by electronic notification or through publication on the Segment. Primary Dealers shall not be entitled to require information as to which Financial Instruments have been allocated to other Primary Dealers.
5. Should a Market Maker wish to pursue a Market Making Strategy on Financial Instruments in addition to those allocated to it under the above Article 4.10.1, it must notify MTS of its intention to do so not less than 2 Trading Days prior to the commencement of the Market Making Strategy by electronic notification.
6. The minimum number of hours in relation to the obligations to make Quotes on the Market per Trading Day during the Trading Hours of the Market is 5 hours.
7. Primary Dealers shall comply with the Minimum Quote Size and Maximum bid/offer spread defined in Table 1 and Table 2 below.

**Table 1: Financial Instruments issued by the MOF**

Type of bond	Minimum quote size (ILS million)	Maximum bid/offer*	yield	Maximum quote size divergence
Nominal Bonds	10	3 basis points		50%
10-year on-the-run Nominal Bond	10	2 basis points		50%
Long term Nominal Bonds (>20 years)**	5	4 basis points		50%
CPI bonds	10	4 basis points		50%

8. \*MTS, having consulted with the MoF, will inform Participants of the applicable maximum price bid/offer spread. The communication will be made on the last Wednesday on March, June, September and December and become effective on the

following Monday. Additional communications may be made, if in consultation with the MoF, MTS considers it appropriate.

In general:

The spreads are calculated by the GDMU based on the closing prices on TASE of the last trading day prior to the Update of Spreads. Calculation of the spreads according to the following formula:

$$PriceSpread = -Price \cdot \left[ \frac{Convexity}{2} \cdot (BPSpread)^2 - Modified\ Duration \cdot BPSpread \right]$$

Spreads are set at a minimum of 0.1 and rounded to multiples of 0.05.

\*\* The number of long term nominal bonds included in the quoting obligation will not exceed 2 bonds.

9. Notwithstanding the removal from the MTS Israel Segment of a particular Financial Instrument, those Participants, which are represented on the Committee and which have an obligation to make Quotes in relation to Financial Instruments shall be obliged to continue to enter buy and sell Quotes in respect of that Financial Instrument for a further period of ten (10) Trading Days if the MoF, after consultation with the Committee, so recommends.

## 4.11 Law governing Trades

1. The MTS Cash Domestic Market Rules apply.

# 5. Clearing and settlement of Trades

## 5.1 Clearing and Settlement of Trades

1. Participants agree to give MTS the right to transmit settlement instructions on their behalf at the end of the Trading Day in respect of Trades carried out on that day to the Tel Aviv Clearing House (TACH) (or such other clearing and settlement institution as specified by the Committee).
2. Clearing and settlement will take place in accordance with the procedures and regulations set forth by the relevant clearing and settlement institution. The settlement cycle will follow the market practice for the relevant Financial Instrument unless determined otherwise by the Committee.

## 6. Provision of data and information

### 6.1 Provision of data to Participants

1. In addition to the MTS Cash Domestic Market Rules, following each Trading Day, MTS shall make available, to each Participant, information regarding its compliance with its obligations to make Quotes in accordance with Article 3.3.1(b). Such information is confidential and will not be available to other Participants.

### 6.2 Provision of data to Authorities

1. In addition to the MTS Cash Domestic Market Rules, MTS shall supply to Consob and to the MoF, data and information on the Trades concluded, and the activities carried out by Participants and all other data, information, acts or documents requested by the Consob and/or by the MoF, or required for MTS to comply with its obligations to Consob and to MoF,, provided that the provision of any information to the MoF by MTS does not violate any of its regulatory requirements with the FCA.

### 6.3 Provision of data to debt management offices

1. In addition to the MTS Cash Domestic Market Rules, provided that it is in compliance with applicable regulatory requirements, MTS may submit to the relevant debt management office, upon request, data and information related to:
  - a) the quoting activity on the Market; and
  - b) the activities carried out by Participants on the relevant MTS Market.

### 6.4 Provision of data to the public

1. The MTS Cash Domestic Market Rules apply.

### 6.5 Amendments and communications

1. The MTS Cash Domestic Market Rules apply.

## 7. Supervision and Sanctions

### 7.1 Supervision of regular conduct

1. The MTS Cash Domestic Market Rules apply.

### 7.2 Disciplinary measures

1. In addition to the MTS Cash Domestic Market Rules, before applying any sanction, MTS shall consult with the Committee, only on a no-name basis and to the extent that no member of the Committee is in a conflict of interest situation. In such case, MTS shall consult with the MoF.
2. In case of written censure, MTS may, in particular with regard to breaches of quoting obligations, refrain from proceeding if the MoF has already acted upon such behaviour.

### 7.3 Procedure for verifying violations

1. The MTS Cash Domestic Market Rules apply.

### 7.4 Review of measures

1. The MTS Cash Domestic Market Rules apply.

### 7.5 Appeal Board

1. The MTS Cash Domestic Market Rules apply.

### 7.6 Board of Arbitration

1. The MTS Cash Domestic Market Rules apply.

## 8. Final Provisions

### 8.1 Final provisions

1. The MTS Cash Domestic Market Rules apply.



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