

**Memorandum of understanding for cooperation and information exchange
between
the Banking Supervision Department, the Securities Authority
and the Capital Market, Insurance and Savings Division**

1. Purposes and principles

- 1.1 This memorandum of understanding is intended to create a framework for cooperation and information exchange between the supervisors of the financial markets in Israel—the Supervisor of Banks, the Securities Authority and the Commissioner of the Capital Market, Insurance and Savings (hereinafter: "**the supervisors**").
- 1.2 The purpose of the memorandum is to promote effective, fair, uniform and coordinated supervision in order to enhance the stability, transparency and fairness of the financial markets in Israel, and to promote the development and competitiveness of these markets, all this with the aim of boosting the confidence of the investors in those markets.
- 1.3 The supervisors will act within the framework of this memorandum in order to promote the application of accepted international supervisory standards and best practices to the financial markets in Israel.
- 1.4 This memorandum does not replace and does not detract from any other legislation and/or regulatory arrangement ("regulatory arrangement", hereinafter: "**application of regulatory authority**").
- 1.5 This memorandum does not replace and does not retract from the authority conferred and the responsibility imposed on each of the supervisors under the law.

2. Liaison Committee

- 2.1 A Liaison Committee (hereinafter: "the committee") will be established for the purpose of promoting and setting the cooperation and information exchange between the supervisors—all this in accordance with the purposes and objectives determined in this memorandum.
- 2.2 The committee will be comprised of the three supervisors.
- 2.3 The committee will convene as necessary and at least once a month, and will discuss *inter alia* relevant trends and changes in the sectors supervised and their implications, proposed legislative and regulatory changes, and any other matter that is relevant to the supervisors' areas of responsibility and authority.
- 2.4 The committee will establish sub-committees for dealing with specific matters or permanent sub-committees for preparing subjects for discussion by the committee.

- 2.5 At its discretion and as relevant, the committee will be able to invite additional participants to its meetings.
- 2.6 The discussions of the committee and the sub-committees will be documented and published in a manner that will be determined by the committee.
- 2.7 The committee will determine the modes of operation and processes of information exchange between the supervisors, and *inter alia* will determine principles concerning the following matters:
 - 2.7.1 Modes of operation of the committee: such as the frequency at which it convenes, the ways in which it and its sub-committees work, and principles for the management of meetings (including policy and principles for raising matters on its agenda), and mechanisms for reporting to the committee.
 - 2.7.2 Cooperation and information exchange mechanisms: determination of the nature, manner and extent of the cooperation and information exchange processes—including mechanisms for making contact and cooperation between the intermediate employees of supervisors, deployment of mechanisms for information exchange (such as volume and timetables), and determination of modes of operation in crisis situations.

3. Supervisory policy for the financial markets

- 3.1 The supervisors agree that any new regulatory arrangement and/or legislation, even if sector-specific, may have an impact on the interfacing sectors, and on the stability and competitiveness of the financial markets as a whole.
- 3.2 Before the final publication of a new material regulatory arrangement and/or of material legislative changes planned in his areas of authority, which are likely to have a material effect on the areas of responsibility and authority of the other supervisors and/or on the stability and competitiveness of the relevant markets in their entirety, each supervisor must report to the other supervisors and allow them to express their opinion concerning that proposed regulatory arrangement in a discussion at the committee or in another format.
- 3.3 The supervisors agree that when necessary and as relevant, additional joint mechanisms should be deployed in all matters relating to supervision, regulatory arrangement and legislation in respect of the financial markets.

4. Information exchange and enforcement liaison

- 4.1 The supervisors agree that the full and real-time exchange of information is an important and material element in the promotion of the objectives of this memorandum.

- 4.2 As relevant and providing that this does not harm the execution of investigative and audit activities, the supervisors agree to share with the other supervisors information that is available to them and that is necessary for the other supervisors for the purpose of fulfilling their function.
- 4.3 The supervisors agree not to disclose/transfer to third parties restricted information reaching them from the other supervisors, unless this was arranged and agreed in advance with the supervisor who transferred the information.
- 4.4 The supervisors will examine ways of increasing the efficiency of the gathering of information from the supervised bodies, including ways for the joint gathering of information for the purpose of reducing the burden on the supervised bodies.
- 4.5 The committee will determine detailed principles concerning the exchange and transfer of information—taking due account of information secrecy principles and the manner in which the information is used.

5. Mutual help and reciprocal relationships

- 5.1 The supervisors agree to help each other in all matters relating to the application of coordinated supervision of the financial markets—including in this respect the gathering, analysis and processing of information, and enforcement and compliance activities.

Supervisor of Banks

Securities Authority

Commissioner of the Capital Market

24/06/07