



ISRAEL SECURITIES AUTHORITY

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PRESS RELEASE

Israel Securities Authority Determines: Cryptocurrency Companies Not to Be Included in TASE Indices

ISA Chair Ms. Anat Guetta stated, "We decided to prevent the exposure of passive investors to companies whose main line of business is cryptocurrency. Investments in these companies are high-risk, speculative, and volatile. We also issued a detailed warning today regarding investments in cryptocurrency to help investors who are considering such investments become aware of the multiple risks such investments involve."

The ISA decided that the TASE indices will not include cryptocurrency companies. Accordingly, the ISA will take steps to promote a provisional amendment to the TASE Rules & Regulations to restrict inclusion in TASE indices of public companies whose main activity is the holding of, investment in, or mining of decentralized cryptocurrency (such as Bitcoin, Ethereum and others). The aim of the amendment is to prevent public companies operating in this risky, speculative field, characterized by high trading volatility, from being included in the TASE indices and in the investment portfolios of passive investors. The amendment will be in force for a limited period of one year, at the end of which it will be revisited according to market developments.

The ISA's position comes in response to irregular trading volumes in securities of companies listed on the TASE, which have, in recent months, announced their intention of operating in the field of cryptocurrency. In some cases, these companies' announcements led to a sharp rise in the prices of their shares, even before they developed any tangible operations with measureable results. The extreme volatility that is characteristic of trading in cryptocurrency is also manifest in trading involving these companies, whose values rise and drop sharply, occasionally with no obvious reason. Such volatility may create a situation in which such high-risk companies meet the minimum requirements for inclusion in TASE indices, simply due to irregular trading volumes, before they have developed any business activity with measureable results. Including cryptocurrency companies into TASE indices would compel ETNs and mutual funds to purchase and indirectly expose passive investors to the risks of trading



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involving these companies' shares, to the sharp fluctuations in their value, and to significant potential losses.

Since last year, when companies first entered the field of cryptocurrency, the ISA has examined several steps designed to protect the investor public and maintain the proper trading on the TASE. In early January, the ISA issued for public comments a proposed amendment to TASE Rules & regulations concerning the activities of cryptocurrency companies, comprising two elements: the first, preventing the inclusion in TASE indices of companies whose main line of business is the holding of, investment in, or mining of cryptocurrencies, and; the second is preventing such companies from listing on the TASE if they do not meet the minimum requirements as a result of significant business operations.

At this stage, after reviewing the public comments, the ISA decided to promote the first element of the proposed amendment only (preventing the inclusion of such companies in TASE indices). Preventing the inclusion of such companies into the TASE indices will ensure that passive investors in the TASE are not unwittingly exposed to the risks that trading in such companies entails.

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The ISA stresses that this action is unrelated to recommendations in the interim report issued by the Committee for the Investigation of ICOs (Initial Coin Offerings), scheduled to be published in the next few days. The ISA is also concurrently issuing a detailed warning statement to investors who are considering investments in cryptocurrency. Such investments entail significant, extreme risks, including lack of liquidity or convertibility of the coins into cash, unusual price fluctuations, illegality of operations, and risks of fraud.

The ISA will continue to act under the legal powers vested in it with regard to supervision of public companies in the field of cryptocurrency and all other fields, and will use all its powers necessary to protect the investor public and maintain the proper trading in the capital market.