רשות ניירות ערך
Israel Securities Authority
سلطة الأوراق المالية

To:
U.S. Securities and Exchange Commission

Submissions by Email: rule-comments@sec.gov

Re: Israel Securities Authority Response to the SEC Concept Release on Foreign Private Issuer Eligibility (File Number S7-2025-01)

A. Introduction

The Israel Securities Authority (hereinafter: the "**ISA**") welcomes the U.S. Securities and Exchange Commission (hereinafter: the "**SEC**") upon the publication of the Concept Release on Foreign Private Issuer Eligability (hereinafter: the "**Concept Release**" and the "**FPI**", accordingly),[1] and values the opportunity to respond to this important matter.

The ISA recognizes the importance of the SEC's initiative in reviewing the existing definition of FPI status in light of significant developments that have taken place over the past 20 years, and wishes to present to the SEC a complete and comprehensive picture regarding the group of Israeli companies currently holding FPI status (hereinafter: "**Israeli FPIs**").

As will be demonstrated below, **most of the new trends characterizing FPIs presented in the Concept Release - which prompted the SEC to reconsider the FPI definition - do not apply to Israeli FPIs**. Israeli FPIs have been and continue to be **companies incorporated and headquartered in Israel, operating from Israel, and are subject to a robust regulatory framework and market practices**, which in the ISA's view properly balance the interest of providing adequate protection to American investors with the interest of promoting offerings and listings of successful global companies on the U.S capital market.

The ISA's position is, therefore, that in the process of reviewing the FPI definition, consideration should be given to the fact that the FPI population is not homogeneous. This population consists of different groups of companies with different characteristics, including with regard to place of incorporation and the location of corporate headquarters; their tenure in the U.S. capital market; the quality of regulation applicable to them; their home-jurisdiction's effectiveness in providing assistance with international enforcement matters; and more.

Specifically, the Israeli FPIs bring to the U.S. capital market innovation and technological advancement, a long and stable history of high-quality and market-leading companies, advanced and

[1] Concept Release No. 33-1137

robust local regulation, and efficient market mechanisms and practices. Additionally, Israeli FPIs exhibit an almost complete alignment between their place of incorporation and their headquarters - both located in Israel.

Given these unique features of Israeli FPIs, changing the FPI definition could make it more difficult for high-quality Israeli companies to list on the U.S. capital market or could delay such listing, which could harm the attractiveness of the U.S. capital market and undermine one of the fundamental objectives underlying the FPI arrangement. It should be noted that FPIs from other jurisdictions, or other groups of FPIs, may likewise share similar characteristics to those detailed above.

Additionally, alongside the review of the FPI definition, **the ISA supports considering the expansion of a mutual recognition model - similar to the model currently in place between the U.S. and Canada (MJDS) or a different model - to additional developed jurisdictions**. Specifically, the ISA believes there is substantial merit in advancing such a mutual recognition model between the U.S. and Israel. This model, **alongside** with the capacity of Israeli FPIs to list in the U.S, would bolster the expansion of capital markets in both countries, encourage high-quality companies to list simultaneously on the U.S. capital market (and vice versa), enhance the effectiveness of existing disclosure regimes, eliminate unnecessary regulatory duplication, diversify existing listing and financing channels, and save unnecessary costs.

B. Israeli FPIs - Their Characteristics Are Stable and Consistent

The Concept Release identifies significant and material changes that have taken place in the characteristics of FPIs over the past twenty years. A central part of these changes relates to the widening gap between jurisdiction of incorporation and headquarters for FPIs, as well as a notable shift in the number of companies listed on U.S. exchanges based on their place of incorporation.

According to the Concept Release, while in 2003 only about 7% of FPIs were incorporated in a different place from the location of their headquarters, in 2023 approximately 48% of FPIs were incorporated in a jurisdiction other than where their headquarters were located. Additionally, while in 2003 the most common jurisdictions of incorporation for FPIs were Canada and the UK, in 2023 the most common jurisdiction of incorporation was the Cayman Islands. These data may suggest a possible motivation among this newer group of FPIs to reduce regulatory oversight by choosing a favorable place of incorporation with weaker regulatory regimes which in turn could also complicate future cross-border enforcement actions.

These trends do not apply to Israeli FPIs. **Among Israeli FPIs, there has been - and remains - almost complete alignment between the place of incorporation and their headquarters location**.

According to the Concept Release, as of 2023, 97 Israeli FPIs were incorporated in Israel while 103 Israeli FPIs were headquartered in Israel. In 2003 there was complete overlap - all 81 Israeli FPIs incorporated in Israel were also headquartered in Israel. This data indicates two main implications: First, the concern over the widening gaps between the incorporation and headquarters locations is not relevant with respect to Israeli FPIs since there is an almost complete overlap between location of incorporation and headquarters; Second, Israeli FPIs, even though listed in the U.S., are indeed "Israeli" throughout - incorporated in Israel, managing their business from Israel, and subject to robust Israeli regulation (as detailed below). Some are even listed on the Tel-Aviv Stock Exchange (hereinafter: "**TASE**"). They do not engage in forum-shopping to evade significant regulation, and they are subject **to both Israeli regulation** (applicable to local Israeli companies, primarily regarding corporate governance rules) **and U.S. regulation** (applicable to FPIs, primarily with respect to disclosure obligations).

Additionally, **Israel has been - and remains - a major source of FPIs listed on the U.S. capital markets**. Accordingly, Israeli FPIs are not part of the above-mentioned trend regarding the place of FPIs incorporation. **The number of Israeli FPIs increased moderately over the past two decades; the proportion of Israeli FPIs out of all FPIs has remained stable over the same period - approximately 10%; and Israel continues to rank as the second-largest source (in terms of number of companies) among the different jurisdictions**. This long-term stability indicates that the listing of Israeli FPIs on U.S. markets is neither a passing trend nor the exploitation of an opportunistic moment, but rather reflects a sustainable business purpose, facilitating these companies' access to the U.S. capital markets over the long term. The fact that the proportion of Israeli FPIs remained the same over the past two decades also indicates that U.S. investor appetite for investing in Israeli FPIs has remained consistent throughout the period.

The sustained presence of Israeli FPIs in the U.S. capital market fundamentally stems from the deep economic ties between Israel and the U.S., particularly in the technology sector. Israel serves as an international high-tech hub due to its high concentration of technology companies, its vibrant entrepreneurial culture, innovation, and the Israeli economy's ability to swiftly adapt to change. For years, Israel has stood out in the number of technology companies valued at over one billion dollars (unicorns) per capita. The scope and significance of Israel's technology sector, combined with the U.S. being the leading global tech and investment center, have driven successful Israeli tech companies - some of which are global leaders in their respective markets - to list on U.S. stock exchanges, which is the world's largest, most liquid and successful capital market. In fact, **about half of Israeli FPIs listed in the U.S. are technology companies**. High-quality Israeli FPIs from additional sectors are also well represented in the U.S. capital market: around 25% of Israeli FPIs are from the health, pharmaceutical, and biomedical sectors, and approximately 20% operate in energy and manufacturing. The presence of Israeli FPIs in the U.S. capital market diversifies investment opportunities for U.S.

investors - sectorally and geographically - and allows them to gain exposure to successful Israeli companies. Additionally, it enables U.S. technology companies to become closely acquainted with Israeli companies, facilitating close engagement for business partnerships and M&A activity (over the years, numerous Israeli FPIs have been acquired by U.S. companies). The significant scale of American investment in Israel further strengthens the economic bond between the countries. American investors are the key driver of investment in Israeli technology companies, and U.S. companies establish R&D centers in Israel that rank among the largest outside the U.S – with approximately two thirds of global R&D centers operating in Israel affiliated with American companies.[2] According to recent data, a significant share of foreign direct investment in Israel originates from American entities, in volumes reaching billions of dollars annually.[3] Additionally, Israeli companies operating from U.S. territory employ approximately 34,000 American workers. The presence of Israeli FPIs in the U.S. capital market not only reinforces Israel's role as a strategic technological partner but also provides the U.S. with a competitive edge in global markets, by benefiting from foreign innovation that integrates closely with the U.S. economy.

Additional evidence of the quality and stability of Israeli FPIs in the U.S. market is their **positive compliance record**. Since the second half of the last century, and throughout the decades in which Israeli FPIs have been listed on the U.S. capital market, very few enforcement cases have been recorded by the SEC against Israeli FPIs for violations of U.S. laws. This is a badge of honor for these companies, indicating the high-quality of Israeli FPIs, as well as the quality of compliance mechanisms and legal adherence.

As noted above, the foregoing is valid with respect to Israeli FPIs, but FPIs from other jurisdictions, or other groups of FPIs, may also have similar characteristics to those detailed above.

C. The Israeli Dual-Listing Arrangement

A sub-group of Israeli FPIs is the dual-listed companies, which are listed on both the Israeli and U.S. capital markets under Israel's dual-listing arrangement. As detailed below, this sub-group of companies is subject to an additional legal framework compared to the rest of Israeli FPIs. The Israeli dual-listing arrangement enables companies whose securities are listed on a selected leading exchange to list their securities on TASE as well, while **relying on the applicable disclosure requirements under the relevant foreign law**. This arrangement entered into force in 2000, against the backdrop of growing globalization and the expansion of regulatory cooperation and harmonization, thus facilitating the simultaneous listing and trading of securities on multiple markets. There are many advantages to the dual-listing arrangement for companies (such as expansion of the investor base),

[2] https://www.trade.gov/country-commercial-guides/israel-investment-climate-statement?utm_source
[3] https://www.state.gov/reports/2024-investment-climate-statements/israel/?utm_source

investors (such as the possibility of trading a wide array of securities on the local market), and securities exchanges (through increased variety and depth of investment products).

Given the positive experience accumulated with this arrangement, it has been expanded over the years to additional exchanges beyond U.S. exchanges, and currently also includes the London Stock Exchange, Hong Kong Stock Exchange, Singapore Stock Exchange, and Toronto Stock Exchange.[4] Prior to Israel's recognition of each dual-listing exchange and its authorization to rely on foreign disclosure rules, a thorough and comprehensive evaluation of the regulatory framework applicable in the respective jurisdictions was conducted. This evaluation focused on three central pillars: (i) the quality of the foreign law, particularly with respect to disclosure, corporate governance and securities exchange rules; (ii) the quality of the local supervision; and (iii) the market mechanisms and practices in place. For this reason the dual-listing arrangement applies to only six exchanges domiciled in jurisdictions with high-quality regulation that meets high standards of investor protection, fair disclosure requirements, effective regulatory oversight, and highly developed market mechanisms.

In this context, it is important to emphasize that although the dual-listing arrangement applies to six exchanges worldwide, the vast majority of Israeli dual-listed companies - 92% of them - are listed on U.S. exchanges as their additional trading venue. This fact also reflects the ties between the two economies, particularly in the technology field. Nevertheless, and naturally, changes to the FPI framework could disrupt this balance and incentivize Israeli companies to seek dual-listings on other exchanges.

The purpose underlying the dual-listing arrangement is essentially similar to that underlying the FPI arrangement: to allow high-quality companies traded in foreign markets gaining access to the local capital market (and accordingly, to allow investors in that market to invest in those companies), without being subject to two legal systems simultaneously. Without such arrangements, access to multiple markets would be significantly more costly, burdensome, less efficient and in many cases would not occur at all.

It is important to clarify that **the exemption granted to dual-listed companies from disclosure obligations under the Israeli Securities Law, 5728-1968** (hereinafter: the "**Securities Law**") **does not amount to a waiver of the applicability of Israeli law as a whole**, and is not an absolute exemption from Israeli law.

First, the exemption under the dual-listing arrangement pertains to the securities issued and listed on the foreign exchanges. However, when issuing securities in Israel, the dual-listed companies must apply for an exemption from the requirement to submit a full prospectus in accordance with the

[4] The list of foreign exchanges recognized under the Securities Law (as defined below) for the purposes of dual-listing appears in the Second and Third Schedules to the Securities Law

prospectus regulations. In the majority of cases, this exemption is granted, but it is not given automatically – the ISA has discretion over whether to grant it and under which conditions.[5]

Furthermore, Israeli law imposes **additional requirements** on Israeli dual-listed companies, beyond the disclosure requirements originating in the foreign jurisdiction in which their securities are traded, inter alia:

- Application of the Israeli Companies Law, 5759-1999 (hereinafter: the "**Companies Law**") and corporate governance rules promulgated thereunder (as detailed comprehensively below), subject to certain adjustments;
- Disclosure requirements imposed on dual-listed companies issuing bonds and listing them for trading solely on TASE when they encounter financial distress;
- Compliance with TASE rules;
- Full applicability of all trading violations under the Securities Law to transactions executed during the course of trading on TASE (insider trading and securities fraud or market manipulation).

Additionally, the mere trading of dual-listed companies on TASE generates **complementary supervisory layers**:

First, market surveillance is performed by the ISA through the Investigations, Intelligence and Market Surveillance Department. This continuous monitoring by the ISA ensures effective oversight of trading, including that of Israeli FPIs listed on TASE.

Second, Israeli law requires institutional investors (such as pension funds, provident funds, mutual funds, and insurance companies) to actively participate and vote on key issues brought before the shareholders' meetings of Israeli listed companies.[6] This obligation leads to continuous and effective institutional involvement.

Currently, 48 dual-listed companies are traded on TASE, of which 44 also trade on U.S. exchanges. While the proportion of dual-listed companies out of all equity companies on TASE is less than 10%, they constitute over 20% of market capitalization and are responsible for approximately 25% of average daily trading volume on TASE. Additionally, dual-listed companies constitute 32% of the TA-35 index and 25% of the TA-125 index (two flagship indices in TASE) in terms of market capitalization. The proportion of dual-listed technology companies out of the entire technology sector on TASE is approximately 15%, but they constitute over 72% of market capitalization of this sector. The market capitalization of dual-listed companies in the pharmaceutical, healthcare, medical device, and biotech

[5] Section 35CC of the Securities Law
[6] Subject to the exceptions listed in Section 2(b) of the Financial Services Supervision (Provident Funds) (Management Company Participation in a Shareholders' Meeting) Regulations, 2009

sectors exceeds 95% of the total market capitalization of this sector, while numerically, they account for only one third of the companies in this sector. It is also noteworthy that approximately 27% of the market capitalization of the entire dual-listed shares is held by Israeli institutional investors, about two-thirds of which through shares on TASE and about one-third through shares on U.S. exchanges.

These data indicate the immense importance of dual-listed companies to the Israeli capital market and to the local economy. Consequently, it is clear that Israel has a strong incentive to ensure that its dual-listed companies operate in a regulatory framework that provides appropriate protection for Israeli investors, who will be the first to be impacted by the absence of quality and robust regulation. It is also clear that Israeli institutional investors and foreign investors would avoid actively investing in dual-listed companies if they believed that regulatory oversight and supervision were insufficient. However, as specified above, this is not the case.

In practice, the dual-listing arrangement composed primarily of companies traded on U.S. exchanges that qualify as FPIs, provides a sound regulatory framework for Israeli investors. This is reflected in the fact that the holdings of Israeli institutional investors in dual-listed companies exceed their relative share of total market capitalization on TASE. At the same time, the arrangement also ensures an adequate regulatory framework for U.S. investors, who hold substantial volumes of dual-listed companies.

D. Application of Israeli Companies Law to Israeli Companies Trading in the U.S.

All companies incorporated in Israel - whether private or public,[7] and regardless of the venue in which their securities are listed - are subject to the provisions of the Companies Law and the regulations promulgated thereunder, including Israeli FPIs traded on the U.S. capital market. The Companies Law comprises the central normative framework regulating corporate law in Israel, and its enactment in 1999 constituted a comprehensive reform updating and adapting Israeli corporate law to modern legal and economic principles. The Companies Law emphasises, inter alia: increasing legal certainty, improving corporate governance, and protecting shareholder rights (particularly those of minority shareholders).

While the Companies Law applies to Israeli FPIs, it should be noted that Israeli dual-listed companies and companies listed solely on foreign securities exchanges, for example solely in the U.S., are entitled to certain adjustments from the provisions of the Companies Law, provided that sufficient investor protection is ensured in the jurisdictions in which they are traded. The purpose of these adjustments is to place Israeli companies traded on foreign exchanges under the same regulatory requirements

[7] A "public company" is defined in Section 1 of the Companies Law as "a company whose shares are listed on a securities exchange or that were offered to the public under a prospectus as its meaning in the Securities Law, or that was offered to the public outside of Israel under a public offering document as required under the law abroad, and are held by the public"

applicable to local companies, provided that investor protection is not undermined. These adjustments **do not** confer regulatory relief on the foreign market's regulatory regime but rather constitute modifications only with respect to the requirements of the Companies Law where those requirements would otherwise place Israeli companies at a structured disadvantage compared to local companies.

Unlike most developed jurisdictions, **the core corporate governance rules applicable to Israeli listed companies are mandatory and unconditional**. This stands in contrast to many jurisdictions where corporate governance rules are set out at a lower normative level, such as regulations, directives, or stock exchange rules, and are not prescribed in binding legislation but rather as a "comply or explain" mechanism.[8] Through this approach, the Israeli legislature underscored the importance of certain corporate governance rules within the Israeli regulatory framework, elevating them to the mandatory foundational principles of corporate law.

The corporate governance rules embedded in the Companies Law define the function and powers of the board of directors (and its various committees), corporate management and the shareholders' meeting; set forth obligations of corporate officers; provide protection for minority shareholders and determine the mechanisms to secure such protection; impose restrictions on office holder transactions and extraordinary transactions with controlling shareholders; set considerations for determining executive compensation policy; establish rules pertaining to the convening of extraordinary shareholders' meetings; apply a special layer of protection to safeguard the creditors of private companies that have issued bonds to the public; and more. With respect to the protection of minority shareholders rights, the Companies Law anchors in law a series of unique mechanisms intended to ensure that the control in a company is not abused, but rather exercised for the benefit of the company.

These unique mechanisms earned Israel a high ranking in the World Bank's Doing Business index with regard to the protection of minority shareholders.[9]

For example, with respect to Israeli FPIs, the Companies Law requires the convening of an extraordinary shareholders' meeting upon the request of shareholders holding 10% of the issued share capital and 1% of the voting rights, or at the request of shareholders holding 10% of the voting rights. In an international comparison, a 10% voting rights threshold is considered common among OECD members for convening an extraordinary shareholders' meeting at the request of shareholders,[10] and in some jurisdictions this requirement is not even established in law. In a similar context, the Companies Law confers to shareholders holding at least 1% of the voting rights the right to place items

[8] By way of comparison, the majority of countries participating in the *OECD Corporate Governance Factbook* (hereinafter: the "**Fcatbook**") are based on a flexible corporate governance regime of "comply or explain". See Table 2.2 of the 2023 Factbook (https://www.oecd.org/en/publications/oecd-corporate-governance-factbook-2023_6d912314-en.html)
[9] The World Bank's *Doing Business* index (2019), https://archive.doingbusiness.org/en/data/exploretopics/protecting-minority-investors
[10] See Table 3.2 of the Factbook

on the agenda of the shareholders' meeting.[11] This threshold is one of the lowest among the OECD members and it exemplifies the intent of the Israeli legislator to empower minority shareholders to shape the corporate agenda and ensure that material issues are discussed at the shareholders' meeting.[12]

Another example from the Companies Law is the requirement that the shareholders' meeting must approve the compensation policy for office holder. Similarly, compensation policy for a period exceeding three years must be re-approved every three years by the shareholders' meeting. The Israeli legislature was not satisfied with only requiring approval of the compensation policy by the shareholders' meeting as binding (rather than merely advisory, as in some other jurisdictions), but instead established an additional protection mechanism mandating approval of the compensation policy by a majority of the votes cast by shareholders who are not controlling shareholders and do not have a personal interest.[13] The binding nature of shareholders' meeting approval, as opposed to an advisory role, renders this requirement significantly more stringent than equivalent provisions in other major developed OECD jurisdictions.[14] Furthermore, Israeli law mandates full disclosure of the terms of tenure and employment of the five officers whose compensation is the highest.[15]

The Companies Law also sets strict provisions regarding the mechanism for approving extraordinary transactions with controlling shareholders. Similar to the mechanism established for approving compensation policy, extraordinary transactions involving a controlling party or compensation to a controlling party or their relatives must be approved first by the audit committee (an independent board of directors' committee) and the company's board of directors, and subsequently by the shareholders' meeting by a special majority of shareholders that have no personal interest in the approval of the transaction.[16] In this as well, Israel's Companies Law is more rigurous than the accepted OECD policy.[17]

Additionally, the Companies Law determines that notice of the convening of a shareholders' meeting shall contain complete details regarding the items appearing on the agenda and shall make public the resolutions up for discussion.[18] Companies are also obligated to allow any shareholder, upon demand, to inspect the minutes of the shareholders' meeting. In this manner, the Companies Law creates

[11] Section 66(b) of the Companies Law. With respect to Israeli FPIs, and pursuant to modifications set in the Relif Regulations, shareholders holding at least 5% of the voting rights at the shareholders' meeting may request the board of directors to include an item on the agenda of the shareholders' meeting regarding a candidate for a board membership or motion to dismiss a serving director
[12] See Table 3.2 of the Factbook
[13] See Section 267A(b) of the Companies Law
[14] Table 4.18 of the 2023 *OECD Corproate Governance Factbook*.
[15] Section 4D of the Companies Regulations (Announcement and Notices Regarding the Shareholders' Meetings of Public Companies and Adding Items to the Agenda), 5760-2000 (hereinafter: Announcements and Notices Regulations).
[16] Section 275(3) (a) of the Companies Law
[17] See Figure 3.10 of the 2023 *OECD Corproate Governance Factbook*. Most countries do not require a majority minority shareholders in the approval of related party transactions
[18] Section 4(a) of the Announcements and Notices Regulations

transparency regarding the discussion and the resolutions adopted at the shareholders' meeting with respect to all shareholders.[19]

Another key aspect of the shareholder protection in the provisions of the Companies Law relates to dividend distributions. The Companies Law makes the execution of a distribution contingent on meeting two cumulative tests: the profits test and the solvency test.[20] This approach ensures a balance between the shareholders' entitlement to benefit from their investment and the company's duty to safeguard its stability and financial capacity.[21] Moreover, the Companies Law places strict responsibility on the directors for prohibited distributions.[22]

It is important to emphasize that the corporate governance rules articulated in the Companies Law were heavily influenced by regulatory developments in the U.S., including the Sarbanes-Oxley Act and by American case law. The American influence finds expression, inter alia, in the emphasis on the independence of the board of directors and the financial expertise of its members, the strengthening of the audit committee's liability, the promotion of internal controls, and the imposition of fiduciary duties and duty of care on corporate officers, requirements which were adopted in Israeli law as well.

Some of the corporate governance rules described above, which strengthened and expanded corporate governance and investor protection for Israeli companies, were enacted over the past two decades. Compared to when the FPI regime was first introduced, the corporate governance rules applying to Israeli FPIs today are much stricter and provide stronger investor protection. In this regard, the protection of U.S. investors in Israeli FPIs over the past two decades has not only been preserved, but has also made significant progress.

To conclude this part, corporate laws in Israel, particularly with respect to corporate governance, are considered to be highly advanced and modern, especially concerning the protection of minority shareholder rights. The corporate laws apply to Israeli FPIs as they are incorporated and headquartered in Israel, and were not artificially chosen for convenience.

E. <u>Courts and Private Enforcement</u>

In accordance with corporate laws, Israel has **advanced mechanisms for private enforcement and a judicial system** that contribute to investor protection. These mechanisms are largely relevant to Israeli FPIs as well, and provide an additional layer of protection for American investors.

[19] Section 90(c) of the Companies Law
[20] Section 302 of the Companies Law
[21] With respect to Israeli FPIs, and pursuant to modifications set in the Relif Regulations, it is possible to execute a distribution by way of an acquisition that does not necessarily meet the profits test under certain conditions
[22] Section 311 of the Companies Law

Since 2010, a dedicated **economic court** has operated in Israel as part of the Tel Aviv District Court (hereinafter: the "**Economic Court**"). The Economic Court specializes in economic and corporate laws, and its mode of operation and jurisdiction were shaped and inspired by the model existing in Delaware. The Economic Court is authorized to adjudicate both civil claims in the corporate field and criminal cases in the securities field.[23] The rulings of the Economic Court contribute to the development of both corporate laws and securities laws in Israel, and it frequently undertakes a comparative analysis of U.S. law in matters submitted for its consideration. **The jurisdiction of the Economic Court also extends to Israeli companies whose securities are traded abroad, such as Israeli FPIs**. Over the years, the Economic Court has ruled on several cases concerning Israeli companies traded in foreign markets, such as Israeli FPIs traded in the U.S. capital market. These rulings clarified the application of Israel's advanced and robust corporate law to Israeli companies, even those traded abroad, as well as the scope of their liability toward the investing public - including American investors - by virtue of their being subject to the provisions of the Israeli Companies Law. Economic Court decisions are subject to appeal before the Supreme Court of Israel, which also frequently deals with corporate law matters. For example, the Israeli Supreme Court has addressed issues such as the adoption of the business judgment rule (BJR) in Israel,[24] the approval of transactions with controlling parties of the company,[25] and the rights of the dissenting shareholders in a tender offer appraisal relief.[26]

In addition, public shareholders possess **effective legal tools for private enforcement** against Israeli companies,[27] even when such securities are traded outside of Israel. Two prominent mechanisms are worth mentioning in this context:

- **Class Action** -[28] a class action can be filed in Israel against an Israeli public company regarding "**a cause of action arising from a security**".[29] **This holds also with respect to dual-listed Israeli FPIs - these companys may also be sued in Israel, and such class actions have indeed been filed**.[30] One of the key causes of action for filing class actions in the current context is the violation of reporting and disclosure obligations. It is noteworthy that when the securities of an Israeli company are traded abroad (such as in the U.S.) under a dual-listing arrangement, any class action filed in this context will be adjudicated based on the substantive provisions of the foreign securities laws and conducted in accordance with the applicable

[23] Securities-related claims are adjudicated in relation to dual-listed companies
[24] Civil Appeal 7735/14, **Verdenikov v. Elovitch** (Nevo, 28.12.2016)
[25] Civil Appeal 7735/14, **Verdenikov v. Elovitch** (Nevo, 28.12.2016)
[26] Request for Leave to Appeal 779/06 **Kital Holdings and International Development Ltd. v. Maman** (Nevo, 28.8.2012)
[27] In addition to the options available to them in the United States, pursuant to U.S. law
[28] This mechanism is relevant with respect to dual-listed Israeli companies
[29] Item 5 of the Second Schedule of the Class Action Law, 5766 – 2006
[30] For example: Tel Aviv-Yafo Civil File 56441-05-20 **Shenhav Industries Ltd. v. InterCure Ltd.** et al.; Tel Aviv-Yafo Civil File 7363-01-15 **Yehoshua Hazan v. Ceragon Networks Ltd**.; Tel Aviv-Yafo Civil File 44775-02-16 **David Cohen v. Tower Semiconductor Ltd**.

foreign liability rules. This ensures alignment between the enforcement process in Israel and the substantive law and liability rules applicable to the company abroad.

- **Derivative Action** - In Israel, a derivative action may be brought by a shareholder on behalf of a company through a mechanism comparable to that established under U.S. law. This mechanism ensures that, under certain circumstances, if a company fails to exercise its right to initiate legal proceedings, shareholders may act on its behalf. In Israel, derivative actions are brought primarily in cases where one of the company's organs has acted recklessly or breached an obligation imposed under the Companies Law (for example, a breach of fiduciary duties or the duty of care). **The same applies to Israeli FPIs: such companies are subject to legal proceedings in Israel,** and derivative actions of this nature have indeed been brought before the court .[31]

Insofar as the cases deal with violations of the Companies Law or the Securities Law, most class and derivative actions will be adjudicated in the Economic Court.

By virtue of these mechanisms, **shareholders of Israeli companies hold effective rights**, even when their securities are not traded in Israel. Shareholders of Israeli FPIs are likewise entitled to - and indeed do - bring legal proceedings on behalf of the companies and their office holders to ensure proper conduct and compliance with the law. Jurisdiction over such claims lies with the Economic Court.

It is also important to emphasize in this context that private enforcement mechanisms in Israel have advanced significantly over the past decade and a half, and as a result, the protection of investors in Israeli FPIs, including American investors, has increased substantially over these years.

F. Israeli Institutional Investor Involvement in Israeli Dual-Listed FPIs

Insurance companies, pension fund managers, provident fund managers, and mutual fund managers in Israel (hereinafter: "**Israeli Institutional Investors**") constitute a dominant and significant force in the Israeli capital market, and they - as mentioned above - hold a substantial ownership stake in Israeli dual-listed FPIs traded under the dual-listing arrangement.

These are sophisticated entities managing large sums of money for the Israeli public, and they are subject to strict regulatory supervision. The importance of Israeli Institutional Investors is further underscored due to the mandatory provisions for pension savings. Accordingly, Israel is among the leading jurisdictions in the volume of pension savings relative to gross domestic product (GDP).[32]

[31] Civil File Tel Aviv-Yafo District Court 2453-03-17 **Barry Lenoel v. Erez Vigodman**; Civil File Tel Aviv-Yafo District Court 46697-07-23 **Kfir Sapir v. Nano Dimension Ltd**
[32] According to OECD publication regarding pension markets (2024), the assets managed by pension funds in Israel amount to 69% of the country's gross domestic product (GDP):

Israeli Institutional Investors are subject to fiduciary duties that includes the obligation to act with care and proficiency toward savers and to manage their savings in good faith and with diligence for their benefit.[33] Additionally, they are subject to regulation that incorporates principles of corporate governance and risk management.[34]

Israeli Institutional Investors hold a significant portion of the equity of dual-listed companies, primarily due to the natural affinity of Israeli investors for these companies, some of which are considered flagship companies in the local market. The relatively significant ownership stak**e** of institutional investors in dual-listed companies contributes to the quality of corporate governance in these companies. This is due, among other things, to their advanced analytical capabilities and their operation as recurring and significant players in the capital market. Accordingly, they have a wide range of tools available that promote high standards of corporate governance, especially in cases where approval is required under the Companies Law by a majority of minority shareholders.

Additionally, Israeli institutional investors are subject to a voting obligation in dual-listed companies on certain key matters, ensuring active involvement that benefits all investors.[35]

In this context, it should be noted that the ownership stake of **foreign** institutional investors in dual-listed companies in Israel is also relatively high.[36] This may serve as an indication of the quality of these companies, as these are sophisticated investors and the very fact that they choose to invest in Israeli dual-listed companies serves as a strong signal of confidence in their quality. Academic literature has found a direct relationship between the extent of foreign institutional holdings and the quality of the company's corporate governance practices.[37]

G. The ISA - An Independent Regulator with Broad Powers

Alongside advanced legislation and effective market mechanisms applicable to Israeli companies, it is also important to note the significant role played by the ISA regarding Israeli FPIs. The ISA is a professional regulator whose role is to protect the interests of capital market investors while promoting an efficient, fair, transparent, and competitive capital market. The ISA was established under the Securities Law and operates as an independent regulatory entity with broad powers. Its decisions in

https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/asset-backed-pensions/PMF%202025%20-%20Preliminary%202024.pdf

[33] See Section 3 of the Supervision of Financial Services (Provident Funds) Law, 2005 and Section 75 of the Joint Investment Trust Law, 1994

[34] Chapter 5, Principles of Business Management, Regulatory Code of the Israel Capital Market, Insurance and Savings Authority

[35] Section 2 of the Supervision of Financial Services (Provident Funds) (Management Company Participation in a Sharhoders' Meeting) Regulations, 2009

[36]As of the end of 2025, the holdings of foreign institutional investors in dual-listed companies were estimated at approximately 46%

[37] Ilan Gildin, Alon Zilberg, and Guy Savach, *The Impact of International Institutional Shareholders on Public Companies in Israel* (November 2019), ch. 1

the areas of regulation, supervision, auditing and enforcement, as well as its activities to develop the market, are made in a professional and independent manner, while the ISA's budget is separate from and not dependent on Israel's budget. This institutional independence ensures professional and impartial decision-making.

The ISA supervises approximately 4,000 different investment instruments and approximately 6,000 supervised entities and individuals. The ISA is responsible for granting permits and licenses and supervises a wide range of market participants, including TASE and its clearing houses, public companies, mutual fund managers, portfolio managers, investment advisors and marketers, underwriters, credit rating agencies, trading platforms, payments service providers and financial information service providers, and more. Alongside this, the ISA is authorized to conduct compliance audits, including audits concerning operational, cyber and technological stability.

The ISA also exercises significant investigation and enforcement powers, through which it uncovers violations and misconduct in the capital market and takes appropriate measures to enforce the law. This includes the ISA's Market Surveillance Unit, whose role is to conduct ongoing analyses to identify and detect irregularities in trading activity. Under the law, the ISA is empowered to conduct **criminal investigations** (for example, in cases of insider trading, fraud, market manipulation, and violations of disclosure requirements, while exercising significant investigative powers), to carry out **administrative inquiries** (on similar grounds), impose administrative fines, and to be involved in **private enforcement** proceedings.

Over the years, the ISA and the SEC have cultivated close and productive relations. The ISA and the SEC share a close working relationship at all levels. Cooperation is carried out on two main dimensions: First, within the framework of the ISA's and SEC's membership in various international organizations, such as the OECD and IOSCO, and both organizations' joining various agreements within them; and second, bilateral cooperation, within which an ongoing and long-standing regulatory dialogue takes place, based on mutual sharing and professional appreciation.

The primary and enduring expression of successful cooperation is found in the **field of investigations**, thereby enabling **the ISA to assist the SEC on a regular, prompt, and efficient basis in conducting SEC investigations pertaining to matters within Israel's jurisdiction**, **while making use of the significant investigative powers it has at its disposal**. For this purpose, in 1996 a bilateral Memorandum of Understanding was signed between the ISA and the SEC with respect to consultation and cooperation in implementing and enforcing securities laws. Additionally, the ISA and the SEC are both signatories to a Multilateral Memorandum of Understanding administered by IOSCO (IOSCO MMoU) concerning consultation and cooperation and the exchange of information between securities regulators.[38] The ISA and the SEC are also signatories - together with a select group of leading

[38] https://www.iosco.org/v2/about/?subSection=mmou&subSection1=signatories

regulators - on the Enhanced Memorandum of Understanding (IOSCO EMMoU) **which enables more comprehensive mutual assistance between the regulators**.[39] The implication is that the ISA complies with the strictest international standards for cooperation in investigations in the securities field. **This applies equally, of course, to investigations involving Israeli FPIs**.

Indeed, cooperation between the ISA and the SEC under these memoranda of understanding has proven its effectiveness and contribution many times - in most cases, this cooperation has led to the completion of vital investigations and to the attainment of the information required to advance significant enforcement proceedings. In recent years, there has been an upward trend in the number of requests for assistance received by the ISA from the SEC, such that today approximately 90% of the assistance requests received by the ISA are from the U.S. Without exception, the ISA acts expediently and efficiently on SEC-originated requests for assistance, and within a few weeks from the initial request, the ISA provides the SEC the requested materials, including information and data necessitating local court orders. The SEC has often praised the cooperation with the Authority in various investigation files.[40]

Additionally, in 2011 the ISA and the Public Company Accounting Oversight Board (PCAOB) entered into a cooperative agreement for the exchange of confidential information to enhance the supervisory oversight of auditors and accounting firms that practice in the two regulators' respective jurisdictions with the purpose of improving the accuracy and reliability of audit reports of public companies. An ongoing professional relationship between the ISA and the PCAOB has indeed been established, while the ISA assists the PCAOB upon request. As evidence, in recent years the PCAOB has issued several reports and undertaken enforcement proceedings against Israeli audit firms, in certain cases resulting in sanctions.

H. Interim Summary

To summarize what has been mentioned so far, the Concept Release raises several main concerns: First, that the dramatic changes regarding FPIs traded in the U.S capital market, and particularly the lack of alignment between place of incorporation, headquarters location, and country of origin, raise concerns about the absence of adequate regulation of FPIs ; Second, the fact that a significant portion of FPIs trade exclusively in the U.S capital market which raises concerns of insufficient home-country oversight; Third, that companies exploit the FPI definition to avoid more stringent and comprehensive regulation.

As we have shown above, these concerns are not justified regarding Israeli FPIs.

---

[39] https://www.iosco.org/v2/about/?subSection=emmou&subSection1=signatories
[40] See, for example, https://www.sec.gov/enforcement-litigation/litigation-releases/lr-25373, https://www.sec.gov/newsroom/press-releases/2020-12?force_isolation=true,

First, among Israeli FPIs there has been - and remains - almost complete alignment between their place of incorporation and location of headquarters. These are genuinely Israeli companies in the full sense of the term;

Second, the proportion of Israeli FPIs out of all FPIs (approximately 10%) has remained stable over the past two decades. In other words, the listing of Israeli companies on the U.S capital market is not a passing trend nor is it the exploitation of a momentary opportunity, but rather reflects a fundamental and sustainable business purpose;

Third, the Israeli Companies Law provides a comprehensive and significant supervisory framework over all Israeli FPIs, and even includes mandatory corporate governance provisions and exposure to private enforcement in Israeli economic courts. Israeli dual-listed companies are also subject to robust market mechanisms such as the involvement of sophisticated institutional investors who are legally obligated to vote on key matters at shareholders' meetings;

Fourth, the ISA is a regulator with broad powers that cooperates on an ongoing and efficient basis with the SEC in investigations, as well as with PCAOB, thereby eliminating any concern regarding challenges to enforcement.

Additionally, Israeli FPIs listed under the dual-listing arrangement both in the U.S. and in Israel are subject to an additional legal framework which imposes further requirements beyond those applicable to all Israeli FPIs.

While this description applies specifically to Israeli FPIs, other jurisdictions or other groups of FPIs may also have FPIs with comparable characteristics.

I. Foreign Market Trading Volume Requirement

In the ISA's view, all of the above demonstrates that there is no justification for altering the current framework applicable to FPIs with characteristics similar to Israeli FPIs. Accordingly, the arguments set forth in the following chapter are advanced in the alternative.

One of the ideas presented in the Concept Release concerning the update of the FPI definition is the addition of a requirement that FPI's securities maintain a certain trading volume in a foreign market (and not being traded exclusively in the U.S.). The rationale underlying this requirement is understandable; however, in the ISA's view, within the context of Israeli FPIs, it is unnecessary. As noted above, **Israeli FPIs listed on U.S. markets continue to be subject to Israel's Companies Law, to including the robust corporate governance rules derived from it, and to other significant market mechanisms**. This remains the case even where the shares are **traded exclusively in** the U.S.

In fact, a significant portion of Israeli FPIs trading exclusively in the U.S. are technology companies that entered the U.S. capital market due to its size, depth, and quality. These companies did not choose to list in the United States in order to obtain relief from disclosure obligations or lighter regulation. Rather, their listing on U.S. exchanges reflects a business decision to focus their operations on the American market. The FPI status to which they are entitled facilitates access to that market by avoiding burdensome and duplicative regulation, reducing regulatory and financial costs, and enabling the company to concentrate its efforts on the target market. Imposing a requirement to list on an additional non-U.S. market would most-likely serve to divert managerial resources and hinder these companies in achieving their business objectives.

However, should a requirement for trading on an additional market nevertheless be adopted, the ISA believes that **TASE should be recognized as a Major Foreign Exchange**. Already in 1999, TASE was recognized by the SEC as a "Designated Offshore Securities Market", a status granted in light of the high quality of Israeli corporate, disclosure, and reporting laws, as well as the quality of TASE's rules.[41] Trading on TASE is conducted through advanced trading systems, and there are reliable clearing and registration mechanisms that comply with international standards. The ISA's direct supervision of TASE and its clearing houses, as well as effective market surveillance performed by the ISA, were among the important factors in this recognition. This designation underscores the compatibility of Israel's market infrastructure with U.S. standards of transparency, liquidity, and trading reliability. Furthermore, TASE's clearing house maintains active accounts with the U.S. DTCC and with Euroclear Bank in Europe, and has been recognized by ESMA as a third-country central counterparty authorized to provide services and operate within the European Union.

J. Mutual Recognition of Regulation

The ISA sees significant merit in the SEC advancing the concept of mutual recognition with other developed countries referenced in the Concept Release. This approach has been successfully implemented in Israel across various contexts, where it has proven to be efficient, cost-effective, and conducive to market development. In particular, the ISA believes there is a strong rationale for pursuing such an arrangement between the United States and Israel, **in addiotn to the current framework** allowing Israeli companies to access the U.S. capital market as FPIs. More broadly, implementation of this approach would be expected to benefit not only Israeli companies, but also the U.S. capital market and American investors as well. Adopting a model similar to the Canadian MJDS,

[41] It should be emphasized that TASE's rules regulate the exchange's activity, exchange members, the companies as well as the financial instruments traded on it. Any modification or amendment of the TASE rules requires the approval of the ISA. Until the enactment of the Securities Exchange Services (Broker-Dealer) Law in Israel, TASE even serves as the supervisor of the activity of its local members (non-bank brokers), and ascertains their compliance with the Exchange's rules and the required standards

or another form of mutual recognition, grounded in the close and extensive ties between the two economies as described throughout this response, would enable additional companies - **beyond FPIs** - to access the U.S. capital market, provided that they are subject to regulation recognized as robust and advanced, together with an additional layer of U.S. oversight.

The regulatory mutual recognition mechanism is a key instrument for addressing challenges arising from accelerated globalization, particularly in the financial sector. In the current age, financial services are provided and supervised on a cross-border basis, and this is given added weight in light of the close economic ties between Israel and the United States and the organic ties between their capital markets. Unsurprisingly, the OECD has emphasized the necessity of regulatory cooperation specifically focused on the financial sector.[42] Additionally, mutual recognition meaningfully addresses market fragmentation: it enables reciprocal market access, preserves market connectivity, and reduces the risk of unintended regulatory fragmentation arising from discrepancies in legislation and enforcement.[43] In view of the substantial regulation applicable in Israel, mutual recognition would enable Israeli companies meeting predefined conditions to operate in the U.S. market without encountering unnecessary regulatory duplication, reducing redundant compliance costs. Conversely, the model would allow American companies to operate in the Israeli capital market under similar conditions.

The adoption of a mutual recognition model - similar to the MJDS - will allow the American market to expand the base of quality and innovative issuers, will deepen market liquidity and expand investment opportunities for investors, strengthening the status of American securities exchanges as the leading platforms for investment and commerce, all while maintaining tight supervision and high standards of investor protection. In addition, the mutual recognition model will simplify and streamline the cross-border financial activity of financial institutions in both jurisdictions, facilitate the free flow of capital between the markets, reduce the difficulties involved in global offerings, and lower barriers to market access. Additionally, mutual recognition will contribute to enhancing the competitiveness and attractiveness of the capital markets in both jurisdictions, particularly in an era of global competition among exchanges and a trend of easing regulatory requirements for public offerings. In the U.S., this step would serve the strategic interest of preserving Wall Street as the world's leading destination for capital raising and would prevent a situation in which high-quality companies seek fundraising alternatives outside the U.S.

As described above, the regulatory framework in Israel requires public companies to meet high standards of corporate governance, compliance, transparency, and investor protection. The Securities Law is a cornerstone of the Israeli capital market. It is a comprehensive, modern, and evolving law,

[42] OECD Best Practice Principles for Regulatory Policy - International Regulatory Co-operation (https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/07/international-regulatory-co-operation_cf92bc88/5b28b589-en.pdf#:~:text=2,or%20where)

[43] See, for example, FSB Report on Market Fragmentation (https://www.fsb.org/uploads/P040619-2.pdf); IOSCO - Market Fragmentation & Cross-border Regulation (https://www.iosco.org/library/pubdocs/pdf/IOSCOPD629.pdf).

whose primary objective is the protection of the investing public. The law achieves this objective by imposing disclosure and reporting obligations on supervised entities, imposing legal liability on corporate officers for the content of disclosures, and maintaining oversight and enforcement frameworks that ensure a fair and efficient capital market. The Securities Law creates a clear framework for offerings, trading, reporting, disclosure, and regulatory oversight and supervision.

While the Securities Law was enacted over five decades ago, from the outset it has been **based on U.S. securities law**, and over the years it has been amended and updated many times. Not coincidentally, regulation in Israel has repeatedly ranked high in international quality indices and has been described as advanced and meeting the highest international standards.[44]

The Securities Law has also been recognized by leading financial regulators:

First, in 2008 the French financial regulator (AMF) recognized the Israeli prospectus regulatory framework and established principles for cooperation regarding cross-listing. As part of the memorandum of understanding, the French regulator declared that Israeli laws and regulations pertaining to prospectus publication are equivalent to local regulation.[45] In 2013, an additional memorandum of understanding was signed between the ISA and the AMF based on the 2008 memorandum, against the backdrop of the 2011 European declaration regarding the recognition of the Israeli prospectus regulation (see below);[46] Second, in 2011 ESMA published an official declaration stating that Israeli prospectuses can be approved by EU countries as part of the EU Prospectus Directive (which later was replaced by the Prospectus Regulation). In this declaration, ESMA confirmed that it examined Israeli securities regulation regarding prospectus publication, conducted a comparison between it and European prospectus regulations, and concluded that **an Israeli prospectus would be regarded as a valid prospectus for approval purposes in the EU member states**.[47] In this context, it is noteworthy that **Israel was the first jurisdiction outside of the EU whose prospectus regulation was recognized by ESMA**.[48] In 2015, ESMA released an updated opinion, which reevaluated Israel's prospectus regulation in light of the updating of the EU Prospectus Directive. The opinion reconfirmed the recognition of Israeli prospectuses as valid for member-state approval under the new standards articulated in the declaration;[49] Third, in 2017 the principles for

[44] See, for example, the 2012 International Monetary Fund (IMF) Report: "The regulatory regime is well developed and in most respects is comparable to that in major jurisdictions. For the most part, it is compliant with international standards and regulation and oversight by the Israel Securities Authority (ISA) is robust and effective."
https://www.elibrary.imf.org/view/journals/002/2012/087/002.2012.issue-087-en.xml

[45] https://www.new.isa.gov.il/images/Fittings/isa/asset_library_pic/al_arenainternational_asset_library/tax_arenainternational_tree_2-63184b0417765/IsaFile_2458.pdf.

[46] Page 2 of the 2013 Agreement with the AMF (https://www.new.isa.gov.il/images/Fittings/isa/asset_library_pic/al_arenainternational_asset_library/tax_arenainternational_tree_2-63184b0039ee4/IsaFile_8192.pdf)

[47] In conjunction with a supplementary "wrap" which includes the information specified in the annex to the declaration.

[48] https://www.esma.europa.eu/sites/default/files/library/2015/11/11_82.pdf

[49] https://www.esma.europa.eu/sites/default/files/library/2015/11/esma-2015-1015_-_opinion_on_israel_prospectus_framework.pdf. This is subject to the attachment of an updated wrap document which includes the addition requirements set as part of the new European directive. This opinion replaces the 2011 opinion

cooperation according to which BaFIN, the German regulator recognizes Israeli prospectus regulation were determined as well as principles for cross-listing cooperation;[50] Fourth, in 2017, a Memorandum of Understanding was signed with the FCA, the British regulator, which lays out principles for cooperation for consultations and information exchange for the FCA approval of a prospectus published by an Israeli issuer;[51] Fifth, in 2018, a mutual dual-listing agreement between TASE and SPX, the Singapore Exchange, was signed as part of the recognition of Israeli regulation as a suitable substitute for the local disclosure and reporting requirements in Singapore.

As noted in the Concept Release, a model of the mutual recognition of laws is **not** based on complete identity of regulation applicable to issuers but rather on the **identity of the underlying regulatory principles**, **with an emphasis placed on investor protection**.[52] In light of the fact that Israel's Securities Law and the Companies Law were largely based on the corresponding U.S. legislation, with particular emphasis placed on investor protection and advanced corporate governance rules safeguarding investors and shareholders, as described in detail above, it is fair to conclude that the principles of U.S. and Israeli laws are essentially identical.

To advance consideration of a mutual recognition framework, the ISA proposes the establishment of a dedicated task force to work in full cooperation with the SEC in bringing this project to completion. The ISA undertakes to allocate all necessary resources to ensure the rapid and effective advance of this outline.

K. Conclusion

As detailed above, Israeli FPIs are long-established and legitimate participants in the U.S. capital market, having been active for decades. Many are technology companies, including market leaders in their fields. Throughout this time, they have operated as Israeli companies based in Israel, subject not only to U.S. disclosure requirements but also to stringent Israeli regulations and effective supervisory and enforcement frameworks, striking a balance between protecting the U.S. investing public, providing access to successful and innovative companies (many of which are technology leaders), and maintaining both the attractiveness of the U.S. capital market for global issuers and the strong, natural ties between the Israeli and U.S. economies.

Consequently, the ISA is of the opinion that even if the FPI definition is modified, it is necessary to ascertain that the new definition does not exclude companies for which the concerns raised in the Concept Release are not relevant, such as Israeli FPIs. As stipulated above, a large part of the recent

---

[50] https://www.new.isa.gov.il/images/Fittings/isa/asset_library_pic/al_lobby/al_lobby-628ccfb552dac/220517.pdf
[51] https://www.new.isa.gov.il/images/Fittings/isa/asset_library_pic/al_arenainternational_asset_library/tax_arenainternational_tree_2-63184af6811dc/220517_2.pdf
[52] Page 57 of the Concept Release

trends manifested among FPIs described in the Concept Release and the concerns they raise, do not pertain to Israeli FPIs.

For example, the definition of an FPI could encompass: companies whose place of incorporation corresponds to the location of their headquarters; companies incorporated in jurisdictions where corporate governance rules are anchored in law or hold a comparable normative status; companies subject to substantive regulation in addition to U.S. disclosure requirements; and companies operating in jurisdictions that are subject to effective international enforcement mechanisms.

Additionally, the ISA welcomes the SEC’s proposal to explore mutual recognition mechanisms in regulation, and calls on the SEC to adopt an MJDS-like or other mutual recognition model with the ISA.

If requested, the ISA will expand, elaborate, and provide appropriate references for any assertion mentioned in this response.