



STATE OF ISRAEL BONDS

DEVELOPMENT COMPANY FOR ISRAEL (International) Ltd. (DCI)

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RETAIL CLIENT TERMS OF BUSINESS

Introduction

1. These terms of business (the "Terms") set out the terms under which Development Company for Israel (International) Ltd.(DCI, "we" or "our") will provide our services to you and other important information. These Terms should be read in conjunction with the Client Information Form and the Investment Form. Such documents read together constitute the basis upon which we will make the necessary arrangements for you to invest in Israel Bonds. Should any information provided by you in the Client Information Form or Investment Form change in the future, please inform us of this.
2. We may amend the Terms at any time by sending you written notice. Any amendment which is made to comply with a change of law or regulation applicable to these Terms or our services provided to you will take effect immediately or otherwise at such time as we may reasonably specify. For any other amendment we will give you 20 days' prior written notice.

Regulatory Status

3. The Development Company for Israel (International) Ltd (DCI). is authorised and regulated by the Financial Conduct Authority ("FCA") to engage in certain regulated activities in relation to the sale of certain investments and does so solely in relation to certain government bonds issued by the State of Israel ("Israel Bonds"). The FCA's address is 25 The North Colonnade, Canary Wharf, London E14 5HS. We are listed on the FCA's register with FCA registration number 135266.
4. For the purposes of the FCA's rules we classify you as a 'retail client'.
5. We are covered by the Financial Services Compensation Scheme ("FSCS"). In certain circumstances and if you are an 'eligible claimant' (as defined in the FCA's rules), you may be entitled to compensation from the FSCS if we are in default and unable to meet our financial obligations to you. The maximum amount of compensation available from the FSCS is £50,000 for 'protected claims' (as defined in the FCA's rules) related to investment business. For further information about the scheme (including the amounts covered and eligibility to claim) please refer to the FSCS website (www.fscs.org.uk). Please note that you are not entitled to claim against the FSCS for any default on the part of the State of Israel in the performance of its obligations under the Israel Bonds.

Investing in Israel Bonds – Our services

6. We act as an intermediary by arranging investments in Israel Bonds between the State of Israel and investors. We do not own the Israel Bonds we assist investors to subscribe for and accept no responsibility should the State of Israel decline to issue an Israel Bond or default on a payment.
7. We are not permitted to give investment advice to prospective investors. None of the contents of the Terms, the Investment Form, or any Offering Documentation or other printed or electronically available promotional material related to Israel Bonds amounts to the provision of advice on the merits of any investment. In these Terms, "Offering Documentation" refers to
 - 7.1 the Prospectus issued by the State of Israel in relation to the offer of certain issues of Israel Bonds to the public, prepared in compliance with the EC Prospectus Directive, together with the associated Pricing Supplement; or
 - 7.2 the Information Memorandum and Final Terms issued by the State of Israel in relation to certain issues of Israel Bonds which are exempt from the requirement for a prospectus compliant with the EC Prospectus Directive.

Similarly we are not permitted to and shall not perform any ongoing review of investments initiated by us on your behalf nor of your investment portfolio more generally. **Israel Bonds may not be a suitable investment for all investors. Prospective investors should seek their own independent advice in relation to the purchase of Israel Bonds. In providing its services to you, DCI is not required to assess whether Israel Bonds are a suitable investment for you and you therefore do not benefit from the protection of the FCA's rules on assessing suitability.**

8. Further, we shall not in any circumstances be responsible for giving taxation, legal or accountancy advice in respect of Israel Bonds. Taxes (such as income tax) may be payable on Israel Bonds and/or their returns, and you should take independent advice, including (without limitation) tax, legal or accountancy advice, when you consider it appropriate to do so.
9. We do not charge you for our services and no funds from your subscription monies will be deducted by us from you in relation to your instruction with respect to the purchase or later redemption of your Israel Bonds. For our services of promoting and arranging subscriptions in Israel Bonds, we (either directly or through a group company) receive a selling concession and/or consulting fee from the State of Israel at a rate to be determined from time to time by the State of Israel and DCI. The amount of the selling concession will not exceed 6% of the purchase price of the Israel Bonds sold. **Investing in Israel Bonds – The investment**
10. When you have decided to invest, you should send your Investment Form to us. If you have not done so previously or if we so request, you must also provide us with appropriate evidence of your identity, as detailed in the Client Information Form. If you are unable to provide us with satisfactory evidence of your identity, in accordance with our obligations to formally identify each of our clients under anti-money laundering legislation and the FCA's rules (as amended or updated from time to time), we will be unable to proceed with your instructions. When you are purchasing an Israel Bond on behalf of another person, we reserve the right to require similar identification evidence of that person prior to proceeding with your instructions.
11. Subject to these Terms, we will pass on to the State of Israel, through its fiscal agent (the "Fiscal Agent"), your application to invest in Israel Bonds and, on a successful application, the Israel Bonds will be issued by the State of Israel. In no circumstances will an application for Israel Bonds result in execution on a regulated trading market or other multilateral trading facility. By signing these Terms of Business, you agree to us passing your Investment Form and its contents and other related personal data of yours to the State of Israel, the Fiscal Agent (or any entity in its group), our group entities or any other entity (wherever in the world) as is reasonably necessary for assisting you with your subscription for an Israel Bond. We keep records of all transactions effected by or through us for at least six years. You may inspect copies of contract notes, vouchers and entries in books or electronic recording media relating solely to your investments and transactions.
12. Subscription monies for the Israel Bonds may be paid by way of cheque or, when we agree, by bank transfer to an account (the "Account") of the State of Israel administered by the Fiscal Agent with an appropriately regulated credit institution (the "Bank"). Any cheques should be made payable to 'State of Israel' and sent to us. We will then pay them directly into the Account. The Account is separate from the Fiscal Agent's own bank accounts or other monies or assets.
13. Once your monies have been paid into the Account, no refund can be made. **You will not earn interest on any monies paid into, or credited to, the Account.**
14. Israel Bonds may only be purchased using Pounds Sterling, US Dollars or Euro. However, if you make a payment in a currency different to the issue currency of the relevant Israel Bond (the "**Specified Currency**"), your payment will be converted by the Fiscal Agent into the Specified Currency prior to its purchase. Conversion of those monies may take place later than the date of credit to the Account and will be performed at an exchange rate determined by the Fiscal Agent in its sole discretion. If, following a conversion, there is:
 - (a) a shortfall on the subscription price of the Israel Bond, we will notify you as soon as possible of this and ask you to instruct us as to whether you wish for your money to be returned by the Fiscal Agent or to pay the amount of the underpayment and to proceed with the purchase of the Israel Bond; or
 - (b) an overpayment, the amount of overpayment will be returned to you.

Note: All payments of principal and interest in relation to any issued Israel Bond will be made in the Specified Currency.

15. Israel Bonds will be registered in your name unless you specify in the Investment Form the name of a different person to be registered as the bond holder. The record of your purchase will be posted as you direct in the Investment Form by the Fiscal Agent. This normally takes 6 to 8 weeks from the time monies are credited to the Account. **Save for exceptional circumstances, entitlements to all Israel Bonds are recorded electronically by the Fiscal Agent, whose records of entitlement are definitive.** For the avoidance of doubt, while presentation certificates may be provided for certain Israel Bonds, such as the "Mazel Tov" range, these are not certificates of title.
16. We are not responsible for making payment of any sum due to you under your investment in Israel Bonds and will not receive any cash due to you on your behalf. Upon maturity of your Israel Bond, we may receive cheques payable to you to be forwarded on. We will do so to the latest address we have for you.

Investing in Israel Bonds – Important information

17. Israel Bonds are intended as a long-term investment. For the subscription price, the State of Israel agrees to pay you the amount of interest detailed in the applicable Final Terms or Pricing Supplement for the subscription period of the Israel Bond and to return the subscription price all as set out in the relevant Offering Documentation.

18. The Israel Bonds are automatically transferable or assignable only in limited circumstances (or otherwise with the consent of the State of Israel, which it may give or refuse in its discretion). The Israel Bonds may be redeemed at any time at the option of the State of Israel, but there are only very limited early redemption rights at the request of an Israel Bond holder. As a result, Israel Bond holders will need to be able to hold their Israel Bonds to maturity.
19. If the currency you use to make your investment is different from the Specified Currency, or if the Specified Currency is not your usual currency, then the absolute performance of your investment will be affected by the relative relationship between the currencies and changes in rate of exchange may have an adverse effect on the value of your investment.
20. In addition there is a default or credit risk that the State of Israel may be unable to pay the contractual interest or principal on the Israel Bond and ultimately you could lose some or all of the money invested.
21. **Israel Bonds are issued under the terms set out in the applicable Offering Documentation. Before investing in Israel Bonds you should review the relevant Offering Documentation, which is available on request from DCI and may be downloaded from our website (www.bondsisrael.com).**

Instructions and communications

22. Unless agreed otherwise, all communications, documents and other information between us shall be in English. We will communicate with you by letter or telephone or, if you have given your email address to us or use email to contact us, by email. We require instructions to be given in writing (which can include email). In our discretion, we may accept oral instructions, but reserve the right to refuse such instructions or to require confirmation in writing. We are entitled to act on instructions which we reasonably believe to have come from you and to refrain from acting where we consider your instructions to be unclear or ambiguous. Our authority to act on your behalf may be terminated by either of us at any time by written notice, without penalty, but will not affect the completion of any transaction already initiated on your behalf.
23. We would like to be able to contact you by telephone, email or letter in the future to discuss further investment opportunities which may be of interest. Such communications will relate exclusively to investment opportunities in Israel Bonds. Please indicate in the spaces provided whether you do NOT consent to receiving such communications. If you do consent to receiving such communications, we will make them via email or letter. If you would like them to also be made by telephone, please indicate this below.

Conflict of Interest

24. We are required by the FCA's rules to identify and manage conflicts of interest which arise in the performance of our functions under these Terms. Since we do not:
 - (a) give advice to investors;
 - (b) arrange for investors to transfer Israel Bonds;
 - (c) derive any incentive based on the value of Israel Bonds issued;
 - (d) operate any priority in the processing of instructions from our clients to purchase Israel Bonds; or (e) remunerate our staffin a way which directly reflects the number or value of Israel Bonds sold,

it is our view that conflicts of interest between ourselves and any client executing these Terms are likely to arise only in highly exceptional circumstances (which we will manage on a case by case basis), and conflicts between our clients are unlikely to arise. If we consider that a conflict has arisen, we will inform you immediately and seek to manage or resolve the matter in a fashion which has no financial effect on you and is in your best interests. We maintain a written policy to this effect, and will provide a copy on request.

Your information

25. We are registered under the Data Protection Act 1998. It is necessary for us to keep data on all clients and these data may be provided to other companies in our group, service providers or agents, including the Fiscal Agent, the Bank and

the State of Israel, in order to provide our services to enable you to purchase Israel Bonds and for internal analysis purposes. In order to prevent or detect fraud or money laundering we may be required to share your information with fraud prevention agencies including consulting information held by such agencies from the electoral register for the purpose of verifying your identity. A record of this check may be retained and used to help other companies to verify your identity. Any of the above may involve the transfer of your personal data outside the European Economic Area, in which case we will take steps to ensure that your privacy rights continue to be protected. By agreeing to these Terms of Business you consent to this storing, processing and/or transfer of your information. You

also agree, in the event of a reorganisation or change of control of DCI, that information we hold about you may be transferred to that reorganised entity or incoming controller for the continued provision of the services.

26. We will otherwise not share such data without your consent, but reserve the right to do so where we are legally entitled or required to do so (for example if required by law or court order or if we believe that such action is necessary to prevent fraud or protect the rights, property or personal safety of any person). **Complaints**
27. If you should have any complaint in relation to any of our activities please write to our Compliance Officer, at the above address. Details of our complaints procedures are available on request. If we do not resolve a complaint to your satisfaction and you are an 'eligible complainant' (as defined in the FCA's rules), you may be able to refer the complaint to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR (www.financialombudsman.org.uk). Details of the persons who are eligible complainants can be obtained from the Financial Ombudsman Service.

Liability

28. Nothing in these Terms shall limit or exclude any duty or liability which we may have to you under the Financial Services and Markets Act 2000 (and successor legislation) or the FCA's rules, our liability to you for death or personal injury caused by our negligence or for fraudulent misrepresentation or any liability that may not be lawfully limited or excluded by law. Subject to this, in no event shall we be liable to you for any business losses and any liability we do have for losses you suffer is strictly limited to losses that were reasonably foreseeable at the time of entering into the Terms. **Governing law and jurisdiction**
29. These Terms are to be governed by and construed in accordance with English law and the courts of England and Wales shall have exclusive jurisdiction to settle any claim, dispute or issue arising from these Terms. Please note that the Israel Bonds for which you subscribe may be subject to a different law and/or jurisdiction. Please refer to the relevant Offering Documentation for more information.

You are required to sign and return to us the attached copy of this document.

Tick here if you do NOT want to receive communications from Development Company for Israel (International) Ltd. (DCI) about future opportunities in Israel Bonds (see Clause 23 above).

Tick here if you agree to receive calls from Development Company for Israel (International) Ltd. (DCI) about future opportunities in Israel Bonds (see Clause 23 above)

Client Signature

Signed by: _____

DATE: _____

Name (please print) _____

DCI Signature

Signed by:

For and on behalf of Development Company

for Israel (International) Ltd.(DCI)

DATE