

Memorandum of Understanding

At the signing today of the Agreement Between the Government of the United States of America and the Government of the State of Israel to Improve International Tax Compliance and to Implement FATCA (hereinafter the "Agreement"), the representatives of the United States of America and Israel wish to confirm their understanding of the following:

It is understood that Non-Paying Pension Insurance Funds and Pension Paying Insurance Funds may be treated as funds that may be eligible to qualify as a Treaty-Qualified Retirement Fund in subparagraph A of Section II of Annex II.

In reference to subparagraph 1(z)(2) of Article 1 (Definitions), it is understood that the term "refund" may also include a refund paid to the policyholder of a previously paid premium under an Insurance Contract (other than under a life insurance contract) due to policy cancellation or termination that is calculated according to accepted actuarial principles as described in Circular 2013-1-5 issued by the Commissioner of the Capital Market, Insurance and Savings.

In reference to paragraph 1 of Article 10 (Term of Agreement), the Government of the United States understands that the Government of the State of Israel plans to complete the procedures necessary for entry into force of the Agreement and introduce legislation that is to enable the Agreement to be implemented in Israel, with the goal of having the Agreement enter into force by September 30, 2015. Based on this understanding, as of the date of signature of the Agreement, the United States Department of the Treasury intends to treat each Israeli Financial Institution, as that term is defined in the Agreement, as complying with, and not subject to withholding under, section 1471 of the U.S. Internal Revenue Code during such time as Israel is pursuing the necessary internal procedures for entry into force of the Agreement. The United States further understands that Israel's Ministry of Finance intends to contact the United States Department of the Treasury as soon as it is aware that there might be a delay in Israel's internal approval process for entry into force of the Agreement such that Israel would not be able to provide its notification under paragraph 1 of Article 10 of the Agreement prior to September 30, 2015. If upon consultation with Israel, the United States Department of the Treasury receives credible assurances that such a delay is likely to be resolved in a reasonable period of time, the United States Department of the Treasury may decide to continue to apply FATCA to Israeli Financial Institutions in the manner described above as long as the United States Department of the Treasury assesses that Israel is likely to be able to send its notification under paragraph 1 of Article 10 by September 30, 2016. It is understood that should the Agreement enter into force after September 30, 2015, any information that would have been reportable under the Agreement thereafter (and prior to its entry into force) had the Agreement been in force by September 30, 2015, is owed on the September 30 next following the date of entry into force.

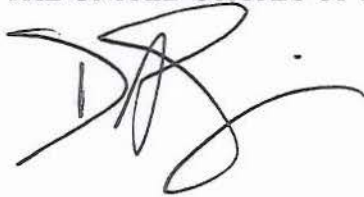
It is understood that any Association (as defined in the Israeli Associations Law of 1980) that is also a Public Institution as defined in Article 9(2) of the Israeli Income Tax Ordinance, 1961, or any Public Utilities Company (as defined in the Israeli Companies Law of 1999) that is also such a Public Institution, may be treated as an NFFE that satisfies subparagraph B(4)(j) of section VI of Annex I.

It is understood that a company that manages provident funds in accordance with the directives set forth in Section 2 of the Israeli Control of Financial Services Law (Provident Funds Law) – 2005, may be treated as an investment advisor or investment manager that is a deemed-compliant FFI as described in paragraph D of Section IV of Annex II.

It is understood that the definitions provided in Annex I apply throughout the Agreement, including to Annex II.

Signed at Jerusalem in duplicate, in the English language, this 30 day of June, 2014.

FOR THE GOVERNMENT OF
THE UNITED STATES OF AMERICA:



FOR THE GOVERNMENT OF
THE STATE OF ISRAEL:

