

**EXECUTIVE REGULATIONS
OF CAPITAL MARKET LAW
95/1992
Latest Amendments**

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Law No. 95 of 1992, governing
The Capital Market

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Decree of The Minister of Economy and Foreign Trade

No. 135 of 1993

**Promulgating The Executive Regulations Of
Law No. 95 of 1992, governing
The Capital Market.**

The Minister of Economy and Foreign Trade

In pursuance of the Presidential Decree No. 163/1957 promulgating the Law governing Banking and Credit,

and Law No.120/1975 governing the Central Bank of Egypt and the Banking System,

and Law No.97/1976 governing Foreign Exchange Transactions, and its Executive Regulations,

and Law No.10/1981 governing Supervision and Control of Insurance in Egypt,

and Law No.157/1981 governing Income Tax,

and Law No.159/1981 governing Joint Stock Companies, Companies Limited by Shares, and Limited Liability Companies, and its Executive Regulations,

and Law No. 97/1983 governing public sector entities and companies

and Law No.146/1988 governing funds collecting for Investment Companies, and its Executive Regulations,

and Law No.230/1989 governing Investment and its Executive Regulations,

and Law No.203/1991 governing Public Business Sector Companies and its Executive Regulations,

and Law No.95/1992 governing the Capital Market,

and pursuant to the submission by the Chairman of Board of the Capital Market Authority,

and acting on the findings of the State Council,

Decrees:

(First Article)

The provisions of the Executive Regulations of law No.95/1992 governing the Capital Market, annexed to this decree, shall be implemented. Whereas no specific provisions therein, the Executive Regulations of Law 159/1981 referred to, shall be enforced.

(Second Article)

For the implementation of the provision of the attached Executive Regulations, the law means "Law No. 95/1992", the Minister means "The Minister of Economy and Foreign Trade", The Authority or the Administration Entity wherever referred to in the attached Executive Regulations, or the Executive Regulations to Law No.159/1981 with respect to public subscription companies, or the implementation of the provisions of Law No. 95/1992, shall mean "The Capital Market Authority".

(Third Article)

This decree shall be published in the Egyptian Official Gazette, and will be enforced on the following day of its publication.¹

**Minister of Economy and Foreign Trade
signed
(Dr. Yousry Aly Mostafa)**

¹ The Official Gazette no. 96 dated 28/4/1993

EXECUTIVE REGULATIONS OF LAW
No. 95/1992 GOVERNING THE CAPITAL MARKET
CHAPTER ONE

ISSUANCE OF SECURITIES

SECTION ONE
CAPITAL FORMATION OF
JOINT STOCK AND COMPANIES LIMITED BY SHARES

SUBSECTION ONE

GENERAL PROVISIONS

Article (1)

The company shall have an issued capital and its statute may specify an authorized capital.

The capital of the joint stock company and the shareholding of limited by shares company shall be divided, in every issue, into equal nominal shares.

The statute of the company may stipulate the issuance of bearer shares for not more than 25% of the total number of the company's shares in all issues. The value of these shares should be fully paid in cash.

In all issues, the issue charges should not exceed the limit specified by the Authority.

Article (2)

The statute of the company shall set the nominal value of the share to be not less than Five Pounds and not more than One Thousand Pounds and provided that the issued capital is subscribed in full. Considering the provisions governing the in-kind payment, every subscriber should pay at subscription, either in cash or by any other legally acceptable means of payment, at least one-quarter of the nominal value of the cash shares. This is in addition to the payment of issue charges.

Payment may not be effected by means of personal guarantee on the part of subscriber, or by presenting chattels, properties, or incorporeal right even if its value is equivalent to the payable one-quarter.

Payment of the amount due may not be also through the exchange of debt due to the subscriber by one of the founders.

Article (3)

The following conditions are required for the validity of any subscription whether public or otherwise:

- 1. It should be complete and cover all the shares representing the issued capital of the joint stock company, or shares and portions of the companies limited by shares.**
- 2. It should be unconditional and immediate not deferred to a term. If the subscription is conditional, such a condition shall be annulled and the subscription shall become valid and binding to the subscriber. In case it is deferred to a term, such a term shall be annulled and the subscription shall become immediate;**
- 3. It should be actual not unreal ;**
- 4. The amount to be paid by the subscriber for the nominal value of the shares at incorporation should not be less than one-quarter of such value ²; and**
- 5. The shares which represent the in-kind payment should have been paid for in full.**

Article (4)

Shares may be issued in denominations of a single share or five shares and their multiples.

Article (5)

Shares shall be extracted from a coupon book and bear a serial number. They should be signed by two members of the board of directors designated by the board, or by one of the managing partner(s) in the partnership company and stamped by the company's seal.³

The share should specifically include the name of the issuing company, its legal form, head office address, purpose in brief, duration, and the date, number and place of registration at the commercial register. In addition, it shall include the company's capital and the number of shares representing such a capital. The share

² This percentage has been amended as per article 1 of Law no. 3/1998 to 10% at least of the nominal value of cash shares; it is to be raised up to 25% within three months from the date the company is established provided that the outstanding value should be paid within 5 years.

³ Shares of any company may not be traded until after payment of at least 25% of its capital, whether it is listed or not in the stock exchange schedule as stipulated by the Ministerial Decree 850/2001 concerning amendment of certain provisions of the Executive Regulations of Law 159/1981.

should also indicate its type, traits and nominal value and the amount paid for it as well as the owner's name in case the share is nominal.

Share shall have coupons with serial numbers and a notation of the share's number.

Article (6)

The amount paid by subscribers shall be stated on the share. The board of directors or the managing partner(s), as the case may be, should demand payment of the remainder within a period not exceeding ten years⁴ from the date of company incorporation and in accordance with what is stipulated in the statute of the company as well as subject to the time schedule specified by the ordinary general assembly, provided that such dates are announced at least fifteen days before it is due.

The board of directors or the managing partner(s), as the case may be, shall have the right to sell the shares whose owners default to pay the amounts required on specified dates, for the account of such owners and at their responsibility after the lapse of at least sixty days from the date of notifying them therewith.

Shares sold in the names of their owners shall be inevitably cancelled and the stock exchange on which the shares are listed shall be notified accordingly. The new owners shall receive new shares to be issued in substitution of the cancelled ones and shall bear the same numbers with an indication that they are replacement to the cancelled ones.

The board of directors or the managing partners(s), as the case may be, shall deduct from the sale price the expenses borne by the company in this respect, and settle the difference with the shareholder whose shares were sold.

This is without prejudice to the right vested in the company, by the general provisions of the Law, which it may exercise, at the same time or any other time, against the defaulting shareholder.

Article (7)*

Any company intending to issue securities should notify the Authority of such intention. If the Authority does not object within three weeks from the date of receiving such a notification, the company may proceed with issuing arrangements for such securities.

The notification should include the following information and supported with the following documents:

⁴ It is to be noted that this period has become 5 instead of 10 years as per Law # 3/1989 replacing Article 32 of Law 159/1981.

* This article was substituted as per the decree of the Minister of Foreign Trade # 517/2003.

First: Issuance of Shares at Incorporation:

1. Types of shares to be issued and the terms of their offering to the public;
2. Total number of shares and what may be offered for public subscription;
3. The decision of the extraordinary general assembly to issue securities and the related documents and reports submitted to it;
4. A certificate of the concerned administrative area notifying the payment of legally required percentage of the company's capital; and
5. Receipt of fees payment to the Authority;

Second: Issuance of shares for capital increase:

1. The share's value for the capital increase and the Auditor's report thereon in accordance with the provisions of Article (17) of these Regulations if these shares are offered to someone other than company shareholders.
2. Types of shares to be issued and the terms of their offering to the public.
3. Distribution of shareholdings and whether the company is listed on the stock exchange as well as the type of schedule it is listed on.
4. Issue charges in case it is specified and the basis of their calculation.
5. A certificate from the concerned administrative area notifying the payment of legally required percentage of capital increase.
6. Receipt of fees payment to the Authority.

Third: Issuance of other securities:

1. Copy of the company's statute with latest amendments.
2. The decision taken by the extraordinary general assembly regarding the issue of the security and the documents and reports submitted to it in this respect.
3. Names of the board of directors members or managing partner(s), as the case may be.

4. **Summary of the lists and financial statements and data as approved by the auditors for the preceding three years, or for the period since incorporation whichever is less.**
5. **Type of security to be issued, with sufficient information about it and an indication whether it shall be offered for public subscription.**
6. **Receipt of fees payment to the Authority.**
7. **Conditions and maturity date of the security.**
8. **Distribution of shareholdings and whether the company is listed on the stock exchange and the type of schedule it is listed on.**
9. **Issue charges in case it is specified and the basis of calculation thereof.**

In all cases, the company should notify the Authority with the completion of issuance procedures within fifteen days of the date of completion or from the date of registration in the commercial register as deems necessary. Competent Register should notify the Authority within the same period of this registration.

Article (8)

The shareholder shall not represent in the company's general assembly meeting, by way of proxy, more than ten percent of the total nominal shares of the company and not more than twenty percent of the shares present in the meeting.

Article (9)

The company's statute may specify certain privileges for certain types of nominal shares with regard to voting, profits, or the outcome of liquidation and provided that the same type shares are equal in respect of rights, privileges or restrictions.

In this case, the statute of the company should include, since inception, the conditions and rules pertaining to the preferred shares and the type and limits of preference determined thereof.

Article (10)

Rights, privileges or restrictions related to any type of shares may not be amended except by decision of the extraordinary general assembly and after the approval of a special assembly of holders of the same type shares to which the amendment is related and by the majority votes of two-thirds of the capital represented by these shares.

Convening of such a special assembly shall be in the manner, and in accordance with the terms of convening the extraordinary general assembly.

Article (11)

Without prejudice to the terms of preferred shares and other shares of special nature, all rights and obligations of shareholders are equal and shareholders' liability shall be limited to the value of their stocks. Their liabilities cannot be increased in any way whatsoever.

Article (12)

In case of loss or damage of the nominal security including the share, the company should issue to the concerned parties as confirmed by its records, a replacement of the lost or damaged document after the provision by such parties of an evidence of loss or damage and in accordance with the procedures being followed by the stock exchange in this regard. The concerned parties should pay related actual expenses of such replacement and publicity. In this case, it shall be indicated on the newly issued security that it is a replacement of a lost or a damaged one, as well as all dispositions to be written thereon as proved in the company's records. The stock exchanges shall be notified of the occurrence of the loss or damage of the original security document.

No replacement may be issued to the lost bearer security.

In addition, no replacement may be issued to the damaged bearer security unless it can be recognized and identified. The new document should be identified as a replacement of a damaged one. The Company should withdraw and destroy the damaged security and make a notation in its records to this effect.

SUBSECTION TWO

SPECIAL PROVISIONS FOR BEARER SHARES

Article (13)

Holders of bearer shares may attend the company's general assembly meetings and shall have the right to discuss the board of directors' report, balance sheet, profit and loss accounts and auditors' report and any substantive issues that may arise during the meeting.

Holders of bearer shares shall not have the right to vote in the general assembly meetings of the company.

Article (14)

Holders of bearer shares shall be notified, whenever required, by means of publications in two widely circulated daily newspapers, one of which is at least an Arabic newspaper.

Invitation to the general assembly meetings of the company should be made at least two weeks before the date of such meetings. Holders of bearer shares who wish to review the report of the board of directors, balance sheet, profit and loss accounts, and auditors' report shall have access to such documents at the company's head office during the two weeks period before the meeting and provided that the holder's name, serial number of shares he holds, and date and hour of his review of these documents shall be recorded in a special record, together with the signature opposite to his name in verification thereof.

Holder of bearer shares who wishes to attend the general assembly meeting should deposit his shares according to the rules of depositing nominal shares, either in the company or in one of the banks, or in any of the companies which is licensed by the Authority for this purpose.

Article (15)

Attendance of bearer shares holders of the general assembly meetings of the company shall be recorded in a special company record.

Article (16)⁵

⁵Article 16 has been substituted as per a decree by the Minister of Economy # 276/1999.

"Unless otherwise stipulated in the Law, or in these Regulations, holders of bearer shares shall be equally treated as nominal shareholders in respect of rights and obligations.

Dividend of bearer share shall be paid in return for the coupon for which the dividend is due even if it is separated from the share.

Bearer shares may be converted to nominal shares as per decision by the company's extraordinary general assembly; this applies only to any person who accepts conversion of bearer shares. All of this shall be in accordance with rules, conditions and procedures established by the Authority."

SUBSECTION THREE

CAPITAL INCREASE

Article (17)

Capital increase shall be effectuated by issuing new shares, provided that their issued value is calculated on the basis of average share of the stock of previous issues in the fair value of net assets of the Company at the time of issuance as determined by it and under its responsibility and affirmed by the auditor. This shall be with due consideration of the following:

- If the value is more than the nominal value of the share, the increase shall be retained in a reserve account.**
- If the value is less than the nominal value of the share, the company should decrease the shares nominal value, including outstanding shares, to such a new value and shall recalculate its capital accordingly.**
- If the value is less than the legally determined minimum nominal value of the share, the issued value of the shares including outstanding shares shall be equal to such a minimum value. The number of the company's shares shall be decreased and the capital shall be recalculated accordingly.**

Article (18)

The authorized capital may be increased by decision of the extraordinary general assembly and upon the proposition of the board of directors or the partner or the managing partners in partnerships limited by shares.

Article (19)

The board of directors or the managing partner(s), as the case may be, should include in their proposition regarding the increase of authorized capital, all the information related to the reasons for such an increase, and attach to it a report on the work progress of the company during the year in which such a proposition is presented, as well as the approved balance sheet of the preceding year.

Attached to the board of directors' report shall be another report from the auditor affirming the accuracy of financial information included in the board of directors' report.

Article (20)

Issued capital may be increased by decision of the board of directors or the managing partner(s), as the case may be, within the limits of authorized capital.

Validity of capital increase decision shall be subject to the payment of issued capital in full. Joint stock companies operating in the fields of tourism, housing, industrial or agricultural production may, with the approval of the Authority's Chairman, increase their capital either by means of portions or shares in cash, or in-kind payment, before the full payment of the issued capital.⁶

Article (21)

The increase of issued capital should be made during the three years following the decision of such increase otherwise it is null, unless a new decision is taken in this respect. Exempted from this, is the case of capital increase resulting from the conversion of bonds, financial notes, or other securities into shares and if issuance conditions entitle their holders to request conversion them into shares.

Article (22)⁷

Shares issued in respect of the capital increase may be paid for in the following manner:

A. Payment in cash.

B. Payment in-kind.

⁶It is to be noted that Law #3/1998 amending the provision of Law 159/1981, it stipulates that following in Article 33 thereof: As per a decision by an extraordinary general assembly issued or authorized capital may be increased; as per the board of directors' decision issued capital may be increased within the limits of authorized capital, in case it exists.

In all cases, however, issued capital shall not be increased unless it is fully paid except via a decision by an extraordinary general assembly provided that subscribers to that increase should pay at least a certain percentage of the issued capital prior to the increase thereof; they should also pay the remaining amounts at dates determined for this purpose.

Issued capital increase shall be made actually within the three years following a decision authorizing such an increase or within the period set for payment of issued capital before the increase thereof, which is longer, otherwise the decision allowing such increase becomes null and void.

⁷ This article has been substituted as per Ministerial Decree no. 709 /2001.

- C. Cash debts payable to the subscriber by the company.**
- D. Conversion of bonds or financial notes held by the subscriber into shares in accordance with issuing terms thereof.**
- E. Conversion into shares of the founding shares or profits' shares owned by the subscriber in consideration of compensation stipulated in Article (34) of Law 159 for 1981.**
- F. Swapping the shares he owns in another company's capital.**

Shares exchange means that shareholders of a company may cede or relinquish their shares if that company is willing to acquire the same in return for shares in the acquiring company's capital increase. Exchange of such shares is done in accordance with the following rules and regulations:

- 1- Purpose of shares exchange is either acquisition or merger.**
- 2- Shares swap process should take place through a private placement.**
- 3- Value of shares presented by subscribers shall be determined on the basis of a share's portion in the fair value of all the company's assets as it may decide and the auditor approves its validity**

Article (23)

The general assembly of the company may decide, upon the proposition of the board of directors or the managing partner(s), as the case may be, to convert the reserve or part thereof into shares by the value of which the issued capital shall be increased.

Article (24)

Issued capital may not be increased by preferred shares unless the company's statute initially permits this and after approval by the extraordinary general assembly upon the proposition of the board of directors supported by the auditor's report regarding the justifications thereof.

Article (25)

Subscription to shares issued for capital increase shall be proven by a subscription voucher indicating date of subscription, name of subscriber to the nominal shares, his nationality and address, the number of shares written in letters and figures. It shall bear the signature of the subscriber or his proxy. In addition, it shall include the information stipulated in Article (33) of these Regulations with the exception of the provisions of items (3 & 4) of such Article. The subscriber shall receive a copy of such voucher.

Provisions of Article (54) of these Regulations shall be applicable with respect to the allocation of shares and with respect to stating on this voucher the number of allocated shares to the subscriber.

Article (26)

Subscription to capital increase shares may be effected by exchanging the subscriber's cash debts payable by the company to the value of all or part of the subscribed shares. The value of the debts shall be acknowledged by the board of directors or anyone it authorizes and countersigned by the auditor. This acknowledgment shall be presented to the entity which receives the subscription for attachment with the original subscription voucher.

^(*)Article (27)

If the stocks of capital increase, or part thereof are offered for public or private subscription, this shall be on the basis of a prospectus fulfilling the conditions prescribed in the Law and in these regulations.

The subscription shall be made through one of the banks authorized by virtue of a decree of the minister to receive the subscriptions or through the companies to be established for this purpose for this purpose or the companies that are authorized to deal in securities following approval of the Authority.

Concerning the companies whose stocks were deposited according to the Securities Central Depository and Registry Law as promulgated by Law No. 93 of the year 2000, receiving the subscriptions shall be via one of the banks authorized to exercise the Custodians' activity.

In this case, the subscriber shall obtain from the bank an indication of having paid the subscription value in order to present it to the Central Depository and Registry Company which will present to the subscriber a statement of the value of his contribution comprising the data prescribed in Article (2) of the executive statute of the said Law No. 93 of the year 2000. This statement shall stand for the deeds of securities and these stocks shall not be traded except after recording their issuance in the Commercial Register, and subject to the provisions prescribed in these regulations on allocate of the stocks.

The Company shall inform the Authority of procedures taken concerning the increase and the documents including a certificate from the bank that has received the subscription comprising the contribution of each subscriber.

^(*)Article (28)

^(*) This article was substituted as per Ministerial Decree no. 321/2003.

^(*) This article was substituted as per Ministerial Decree no. 321/2003.

If the subscription is not covered within the specified period, the part that has been covered shall be considered as satisfactory.

Each subscriber may in this case request a refund of the subscription amounts that have been paid, and the Company shall remit these amounts in their entirety, comprising the issuance expenses upon requesting them.

Article (29)

The company and entity receiving subscriptions should notify the Authority within two weeks of the coverage of subscription to the shares of capital increase.

Upon verifying the validity and completion of the subscription procedures the Authority shall notify the company of its approval in order to make the necessary amendment at the Commercial Register.

The company should present an application with the necessary amendment to the Commercial Register within two weeks of the date of receiving the Authority's approval.

Proceeds of subscription sales may not be withdrawn except after presenting a certificate from the Commercial Register verifying that the necessary amendment has been made according to the foregoing provisions.

Article (30)

The statute of the company may include a stipulation regarding the extent of the preemptive rights of present shareholders to subscribe in the shares of capital increase by cash nominal shares and by observing the privileges determined for them in accordance with provisions of Article (9) hereof.

The statute may not include a stipulation limiting this right to certain shareholders than others, and without prejudice to the rights that could be specified for the preferred shares.

This right may be traded during the period of subscription in the capital increase whether separately or dependently with the principal shares.

Article (31)

The period during which all existing shareholders may have preemptive right to subscribe in the shares of capital increase, and in case such right is specified, it should not be less than thirty days from the date of subscription commencement.

Such a period may end before thirty days if subscription to the increase shares is fully covered by all of the old shareholders, each in proportion to his shareholding therein.

Article (32)

By resolution of the extraordinary general assembly upon the request of the board of directors or the managing partner(s), as the case may be, and for the substantive reasons stated by any of them and verified by the auditor in his report , all or part of the shares issued for capital increase may be directly offered to public subscription without application of priority rights , if these are specified for the shareholders by the company statute.

Article (33)

Shareholders shall be notified of the issue of shares for capital increase by a notice to be published in two daily newspapers, one of them should be an Arabic newspaper, at least seven days before the date of commencing subscription. This notice should include the following:

1. The Company's name, its legal form and address of head office.
2. The amount of increase in capital.
3. Date of opening and closing of subscription.
4. Preemptive rights specified for the shareholders to subscribe to the shares of capital increase and the manner in which these rights are exercised.
5. Value of the new shares.
6. Name and address of the entity in which subscriptions shall be deposited.
7. List of in-kind or partnership shares, if any, and their value and number of shares allotted to them.

SUBSECTION FOUR BONDS AND FINANCIAL NOTES

Article (34)⁸

⁸Replaced by Ministerial Decree # 276/1999 and then substituted by Minister of Economy Decree 586/2000.

Joint stock and the limited by shares companies may issue different bonds or financial notes to meet the company's financial needs, or to finance a particular activity or a specific operation. Offering such bonds or financial notes should be made at a value that exceeds the net assets value of the company as determined by the auditor in accordance with the last financial statements approved by the general assembly, or offering them for public subscription in accordance with the following conditions:

1- The company should submit to the Authority a credit rating certificate as stipulated in Article 7-third-item (11) of the Regulations hereof provided that its rating should not be below the standard indicating the ability to meet obligations emanating from bonds or notes, in accordance with rules set by the Authority's Board of Directors.

2- The company should disclose in its prospectus or invitation thereto, as the case may be, all data and information included in the credit rating certificate.

3- The company should present to the Authority a new rating certificate within one month after the end of every fiscal year as long as bonds and notes remain valid.

4- The company should publish complete rating information in two widely circulated dailies within 15 days after the issuing date of the principal certificate and of every certificate that includes rating change.

The board of directors of the Authority may, however, through a decision, grant a permission to these companies to issue bonds or financial notes with a value exceeding net assets value or offer them for public subscription in case they are incompetent for credit rating or this rating is less than the level referred , all of this should be within the limits specified in this decision.

Article (35)

Bonds or financial notes shall be issued by decision of the extraordinary general assembly upon the proposition of the board of directors of the company or the managing partner(s), as the case may be, and attached to such proposition shall be the auditor's report. The decision shall include the conditions with which such securities are issued and whether these securities are convertible to shares, the governing terms and rules in this respect and in consideration to the provisions of Articles (165), (166), and (167) stipulated in the Executive Regulations of Law 159 for 1981 .

The general assembly decision may include the return on bonds or financial notes and the basis of calculation thereof without observing the limits specified in any other law.

The general assembly decision to issue bonds or financial notes may include the total value of the issue together with its related guarantees and assurances due to them with delegated authority to the board of directors of the company to determine other relevant conditions.

These securities should be issued within a period not exceeding the end of the fiscal year subsequent to the general assembly decision.

Article (36)

If all bonds and financial notes offered to subscription are not covered within the set period, the board of directors of the company or the managing partner(s), as the case may be, may decide to the sufficiency of the amounts covered and notify the Authority within one week of such a decision.

Article (37)

Bonds or financial notes shall be issued as nominal or bearer securities to be tradable. Bonds or financial notes of the same issue entitle their holders equal rights vis-a-vis the Company. The bonds and financial notes documents shall be signed by two members of the board of directors of the company to be assigned by the board or the managing partner(s), as the case may be.

They shall have coupons with serial numbers including the number of the bond or the note.

Article (38)

Bonds and financial notes shall be extracted from coupon books given serial numbers and signed by two members of the board of directors of the company to be assigned by the board or the managing partner(s), as the case may be, and stamped by the company three dimensional seal.

Each security shall have a stub to be kept in the book and includes particularly the following information:

- **Number and date of issue.**
- **Type and traits of the security.**
- **Value and maturity of the security.**
- **Name, nationality and address of the holder of the nominal securities.**

Article (39)⁹

⁹Replaced as per Ministerial Decree # 43/2000.

The rules and provisions stipulated in the Law and in these Regulations regarding shares are applicable to bonds and financial notes if no special provision is made herein.

SUBSECTION FIVE

PUBLIC SUBSCRIPTION

Article (40)

Securities are not deemed as offered for public subscription unless the offer is made to persons, not previously defined, to subscribe in these shares. No minimum limit is set for the number or the value of securities to be offered for public subscription.

No offer of securities to the public may be made by any company, including Public Business Sector as well as Public Sector companies, until a prospectus has been filed with and certified by the Authority. The prospectus shall be prepared on the forms provided by the Authority or the forms accepted by it. In such forms, it shall be clearly indicated therein that the Authority's approval is not concerned with the commercial merit of the business nor the project's ability to achieve specific results.

Article (41)¹⁰

The issued capital of the joint stock and the limited by shares company which offers shares for public subscription should not be less than One million Egyptian Pounds and one half of such issued capital should be subscribed by the founders.

The authorized capital of the company which offers its shares to the public, shall not exceed five-fold the issued capital.

Article (42)

The prospectus used by the company being founded and offering its shares to the public should include, in addition to the information stipulated in the Law, the following information:

- 1. Name, legal form and purpose of the company.**
- 2. Date of the initial contract.**
- 3. Nominal value of the share, number and type of shares, traits of each of them, rights related to them whether with respect to distribution of profits or at liquidation.**

¹⁰ Amended to ten-fold the issued capital as per Law #3/1998.

4. The period within which the founders should submit an application for the incorporation of the company.
5. Indicating whether there is a foundation share and what is given to the company in return for such share, and its specified share in the profits.
6. If part of the capital is being offered for public subscription, an indication should be made as to how the remaining capital shall be subscribed.
7. Date of commencement of subscription and the entity at which this subscription shall be made, and the date of subscription ending.
8. Date of certification of the prospectus by the Authority, and the serial number given thereof.
9. The amount required to be paid at time of subscription, which should not be less than one-quarter of the nominal value of the share in addition to issue charges.
10. Names and addresses of the company's auditors.
11. Detailed approximate statement on items of foundation expenses which the company is expected to bear from the inception to the date of company incorporation.
12. Statement on contracts and their contents which the founders had concluded during the five years preceding subscription if they intend to transfer to the Company after its foundation. If the subject matter of the contract is the purchase of an outstanding establishment in cash, the prospectus should include a summary of the auditor's report on such establishment.
13. Date of beginning and end of the fiscal year.
14. Method of distributing net profits of the company.
15. Method of shares allotment if applications for subscription exceed the shares being offered.
16. The period and cases of refunding of subscription of paid amount by the receiving entity.

Article (43)

Subscription in capital increase prospectus should include the information stipulated in the Law in addition to the following information:

- 1. Number and date of company registration in the Commercial Register.**
- 2. Date of the decision of the general assembly or the board of directors or the managing partner(s), as the case may be, regarding such increase, and the legal grounds of this decision with an indication whether the value of the previously issued shares have been fully paid, or that the company is permitted to issue new shares before full payment of such value.**
- 3. The amount of increase and number and value of shares, taking into consideration the provision of Article (17) hereof. If the shares are of different types the traits of each type should be specified in detail and the related rights with regard to either the distribution of profits or at liquidation.**
- 4. If part of the increase is for in-kind shares, the prospectus should include the information stated in Article (45) hereof.**
- 5. A detailed statement of the reasons which necessitated capital increase and the extent of benefits the company shall accrue from such increase.**
- 6. The extent of application of preemptive rights of old shareholders in the subscription.**
- 7. Statement regarding the mortgages and incorporeal rights on all assets.**
- 8. If public subscription is for a part of the increase shares, an indication shall be made on how the remaining part is being subscribed.**
- 9. The period and cases in which the subscription receiving entity should refund the paid amounts to subscribers.**

Article (44)

The prospectus used for subscription in other securities shall include, in addition to information stipulated in the Law and in items one and seven of the preceding article, the following information:

- a) Date of the general assembly meeting in which the issuance of the security was approved, and the legal ground of such decision.**
- b) Type of security being offered and its expected return and how it is calculated.**
- c) Date of the Authority approval of the public offering of such security and the serial number given thereof.**

- d) Conditions pertaining to the issuance of the security and conditions governing its redemption and dates thereof.**
- e) Guarantee and assurance offered to the holders of the security by the company.**
- f) Net assets value of the company, as specified by the Auditor and calculated on the basis of the last balance sheet as approved by the general assembly, together with a notification by the board of directors that the issued bonds or the financial notes do not exceed such net value, unless the company has been granted an authorization to issue at a higher value than net assets.**
- g) Summary of budget estimates during the maturity period of the security and the ratios of the financial structure and profitability, with verification by the Auditor to the effect that the information contained therein are true.**

Article (45)

In case of issuing shares for in-kind payment, whether at incorporation or at capital increase, the prospectus for subscription should include the following:

- 1. Summary of the financial and in-kind assets presented in return for the in-kind portion, names of those presenting them and related conditions of their presentation, with an indication whether they are from amongst the founders, or members of the board of directors, or the managing partner(s), and the extent of the company's benefit from these assets, and the value originally required for each type of them.**
- 2. List of the offset contracts executed on the real estates presented to the company during the five years preceding their presentation, and a summary of the most important terms on the basis of which these contracts were executed, and the yield these real estates accrued during this period.**
- 3. All mortgage and lien rights resulting from these in-kind portions.**
- 4. Complete summary on the competent committee's decision pertaining to the valuation of the in-kind portion, and the date of such decision.**
- 5. Number of shares issued for the in-kind portion.**

Article (46)

Founders shall provide the Authority, before the commencement of subscription operation, with the prospectus duly signed by all founders or their legal representatives.

The prospectus shall be enclosed with a report from the accounts' auditor verifying the accuracy of the information included therein and its compliance with the requirements of the Law and the Regulations, as well as the company's initial contract and statute duly signed by all founders.

Upon duly filing of the original prospectus and its enclosures, the Authority shall provide a receipt indicating date of such filing.

Article (47)

The Authority may object - within two weeks from the date of filing the prospectus therewith - to the insufficiency or inaccuracy of the information included therein. The Authority may request the founders to complete or correct this information or to present any complementary information or clarifications or additional papers or documents.

The objection and request to complete the information shall be addressed to the founders or their legal representative and notify, if necessary, the entity to which the subscription shall be paid.

Article (48)

Subscription shall remain open throughout the period indicated in the prospectus provided that it is not less than ten days and not more than two months.

If the shares offered are not fully subscribed to within this period, the Chairman of the Authority may extend the subscription period for not more than two additional months.

Article (49)

If the company, after approval of the prospectus by the Authority, does not disclose immediately all material information which affects the subscription process or the accuracy of the prospectus's information or the financial and the legal aspects upon which the prospectus has been approved, the Authority's Chairman may suspend this process until the company takes the proper and correct procedure within

the period of time he specifies, otherwise, the entity which received the subscription shall refund to the subscribers the subscribed amounts.

Article (50)

A summary of the prospectus and its amendments shall be published after approval by the Authority, including basic information thereof, in two widely circulated dailies one of which should be an Arabic newspaper, at least fifteen days before subscription commences, or within ten days from the date of approving the prospectus's amendments, as the case may be.

This information should include the places where the approved prospectus can be obtained. An approved copy of the prospectus may be obtained from the Authority after paying related fees.

Article (51)

No publication of any of the information contained in the prospectus shall be made for the purpose of promoting, in any manner, the sale of securities before such a prospectus is filed and certified by the Authority. However, advertisements, pamphlets, letters or such alike may be distributed following the filing of the prospectus containing basic information on the project about which the prospectus is prepared. An indication should be made clearly and patently, in all cases, that the prospectus has not yet been approved by the Authority.

Article (52)¹¹

Without prejudice to the provisions of Article (121) hereof, no subscription may be made to securities if four month has elapsed from the date of approval by the Authority of their prospectus.

Article (53)

Subscription shall be proven by means of subscription vouchers indicating the date of subscription and shall be signed by the subscriber to the nominal shares. It shall specify the number of subscribed shares written in letters. The subscriber shall be given copy of such a voucher including the following information:

- A. Name and purpose of the company whose shares are offered for subscription.
- B. Company's capital and portion thereof offered for public subscription.
- C. Nominal value of the share and the amount paid of such value at subscription.

¹¹The number 121 in the first line of this Article has been corrected in the Official Gazette no.96 dated 28-4-1993 as it was published 122.

- D. Date of the Authority's approval of the prospectus.**
- E. In-kind payment, if any.**
- F. Type, number and serial numbers of subscribed shares.**
- G. Name of the entity to which subscriptions are paid.**
- H. Name, nationality and address of the subscriber in case of subscription to nominal shares.**

The subscription voucher, in case of subscribing to other kinds of securities shall include in addition to the information mentioned in items (D), (G) and (H) the following information:

- 1. Type of security offered for subscription.**
- 2. Number and date of the Authority's approval to offer the security for subscription.**

Article (54)

Subscription may be concluded as soon as the value of the offered shares is fully covered and in accordance with the conditions set forth in the subscription prospectus and lapse of the minimum period during which the subscription should remain opened and as stipulated in article (48) of these Regulations.

If subscription exceeds the number of offered shares and the statute of the Company has not specified the manner of allocation among subscribers, the subscribed securities shall be distributed by allocating a number of nominal shares or bearer shares, as the case may be, for each subscriber on the basis of the ratio of the number of offered shares to the number of subscribed shares provided that this does not result in excluding any subscriber irrespective of the number of the shares in which he subscribed. Rounding of fractions should be for the interest of small subscribers.

The amount paid by the subscriber at the time of subscription in excess of what is actually allotted to him shall be refunded.

Article (55)

Incorporation of the company shall not be completed if the period set for subscription and its extension expires before offered shares are fully covered.

The entity which received subscription should notify the Authority and the subscribers therewith within one week of the expiry of this period and refund

promptly to them the amounts as well as the issue charges they paid as soon as they so request.

Article (56)

The founders and the entity which has received subscription amounts should notify the Authority within the fifteen days following the completion of subscription of the information pertaining to bearer shares and names of subscribers to nominal shares, their nationalities, domiciles, amount paid by each, number of shares in which each has subscribed and the number of shares allotted to him.

The parties concerned may obtain copy of this statement from the Authority after paying related fees.

Article (57)¹²

Amounts paid by subscribers shall remain in trust with the entity which has received the subscription, and no withdrawal may be made from such amounts unless the legal representative of the company presents the proof of registering the company's statute at the commercial register and that a period of 15 days has elapsed after such registration.

Excepted from this, and taking into consideration the contents of the prospectus, the entity which has received subscription should refund to the subscribers all the amounts they paid in the following cases:

- A. If by summary proceedings judge's order an entity has been appointed to withdraw these amounts and refund them to the subscribers in case the foundation of the company is suspended as a result of errors committed by its founders within six months from the date of presenting an application for incorporation.
- B. If one year elapsed from the date of concluding the subscription without the founders, or anyone on their behalf having presented an application for the incorporation of the company.
- C. If all founders agree to abandon the foundation of the company and present an acknowledgement, signed by them and properly countersigned, of such a decision to the subscription receiving entity.

In addition to recovery of subscription amounts, the concerned parties may have recourse to the founders for compensation by making a request to the arbitration body stipulated in the Law.

¹² It has been duly amended by Article 12 of Ministerial Decree 25/1998 regarding implementation of the provisions of Law 3/98 amending provisions of Law 159/1981.

Article (58)¹³

Every company offering securities for public subscription should present to the Authority, at its own responsibility, any amendments to its statutes, the percentages of capital shareholding immediately on their occurrence together with semi-annual reports on its activity and business results within the month following the expiry date of such a period. These reports shall include the two financial statements and progress of work verified by the company's auditor and in accordance with the forms attached to these Regulations.

Joint stock and limited by shares companies progress reports, results of work and financial statements shall be prepared in accordance with the Egyptian accounting and auditing standards and in conformity with the forms of financial statements included in annex (3).

Auditing of these companies' accounts shall be made according to international accounting and auditing standards.

These provisions shall be applicable to the companies engaged in one or more of the activities specified in Article (27) of the Law even if they do not offer any of their securities for public subscription.

Article (59)¹⁴

"Any person who wishes to conclude a transaction resulting in an increase in his shareholding for more than 10% of nominal shares of the capital of a company that offered shares for public subscription or for trading in stock exchanges no less than 30% of its shares, should notify the company of such an action at least two weeks before concluding it. The notification should be made by means of registered mail with an acknowledgement receipt. The notification shall include the percentage of his shareholding in the company supported by a statement specifying the number and type of shares subject of the transaction, their specifications and the place where the transaction shall be made if the shares are not listed on any of the stock exchanges, as well as the name and address of the brokerage firm through which the transaction shall be carried out.

The company should, within one week from date of receiving this notification, accordingly inform the stock exchange in which the shares are listed, as well as every shareholder who owns no less than 1% of the company's shares at his address as recorded with the company, or by means of publication thereon in two widely circulated daily newspapers.

The foregoing provisions shall be applicable in case of concluding a transaction which will result in making the holdings of a board member of the company or anyone of its employees, exceeds 5% of the company's capital.

¹³ This Article has been replaced by Ministerial Decree 503/1997.

¹⁴ This Article has been amended by Ministerial Decree No.930 for 1996..

Such a person shall not conclude any dealings on his shares during the period from the date of the notification mentioned in the first paragraph until the completion of the transaction or expiry of the period assigned for its conclusion, as the case may be. The procedures stipulated in this article should be followed before concluding every transaction in excess of the two percentages specified in the first and third paragraphs."

Article (60)

Every person who notifies the company with his wish to conclude a transaction in the manner indicated in the preceding article, should conclude the same within one month from the date of notification defined in the preceding article.

He should notify the company with the completion of the transaction within one week from the date of its conclusion.

In case the transaction is not concluded he should notify the company within the week following expiry of the period defined in the first paragraph of this article with an indication of the reasons for that. If such reasons are due to him, he shall bear the expenses incurred for notifying the shareholders of the transaction he intended to conclude.

Article (61)¹⁵

With due consideration to the provisions of the two preceding articles, every person who wishes to purchase 15% or more of shares of any of the companies referred to in Article (59) through purchase offer, should notify both the Authority and the Stock Exchange in which those shares are listed, of his wish to do so. His notification should, however, include the data referred to in the first paragraph of Article (59) together with the price he offers for purchase and duration of such an offer. He is also obliged to publish notification information in two widely circulated dailies at least one of them should be an Arabic paper; this should be done at least two weeks before the conclusion of purchase transactions.

Duration of purchase offer should not be less than a week, it should also be addressed, with the same terms and conditions, to all shareholders of the company. Duration of purchase offer may be extended with the approval of the Authority provided that this approval should be announced as specified in the previous paragraph.

Article (61)

Bis (1)¹⁶

Shareholders who responded to the purchase offer may give up their approval during its validity; a purchase offer party may amend his terms including purchasing price during that period on condition that he should observe related procedures of notification and the original offer provided that the said offer should

¹⁵ This Article has been replaced by Ministerial Decree 447/1998.

¹⁶ This Article Bis 1,2,3,4 and 5 was added as per Ministerial Decree 477/1998.

remain valid and directed to all shareholders of the company at least one week after announcing its amendment.

The offerees should conclude the purchase transaction within three weeks of the date of announcing the offer, or the date of conditions amendment, as the case may be. If the shares offered by the offerees exceed the number of shares being tendered the transaction should be completed from all the shares and the quantity purchased from each holder would be prorated on the basis of the number of shares tendered. Fractions should be rounded in favor of small shareholders.

Article (61)

Bis (2)

Any offeree may not buy the shares of the company included in his offer except through acceptance of the company's shareholders of such an offer during its duration validity.

Article (61)

Bis (3)

Without prejudice to the Authority's jurisdiction in taking the procedures stipulated for in the Law and Regulations to stop price manipulations, the Authority and the Stock Exchange where shares are listed of the company- related to purchase offer, may ask the company to disclose certain data and information and make the same available to its shareholders or the public.

Article (61)

Bis (4)

Any person wishes to purchase 15% or more of the shares of companies where the state or public business sector companies or public sector companies are shareholders, through a purchase offer as per provisions of preceding articles, his offer should include a purchase of no less than 25% of the shares involved from private sector persons. If what the latter offer to sell does not reach that percentage he may buy from others. In case what they offer to sell exceeds the required number of shares, purchase from the same should be prorated as to what each agrees to sell in proportion to the total quantity of shares to be bought from the private sector.

Article (61)

Bis (5)

Any person wishes to purchase a percentage less than 15% of a company's shares, referred to in Article 59, should announce his offer to buy those shares provided that, then, he should observe provisions and procedures specified in Articles 61 to 61(bis 4) of the Regulations.

Article (62)

If the shares of the target company are listed on one of the stock exchanges the offerees who are willing to sell their shares, according to the provisions of preceding article, should deposit their shares at the stock exchange as soon as they receive the notification specified in Article (59) hereof.

Exempted from the trading procedures stipulated in these Regulations, the transaction shall be concluded in the exchange by the Committee defined in Article (94) hereof and through the brokerage firm identified in the notification.

The transaction should be concluded at a price equal to the average of closing prices during the week preceding the notification or the offered price specified in the notification referred to in the preceding Article whichever is higher.

With regard to the shares that are not listed on any of the stock exchanges the transaction shall be concluded through the brokerage firm designated as identified in the notification and with a price to be agreed upon by the parties concerned.

Article (63)

Neither the company nor its statute may place any restrictions on the trading of the company's shares whenever it is publicly held, or place any restrictions on the trading of its shares listed on any of the stock exchanges. This is with due regard to the rules applied at the date of enforcing these Executive Regulations.

Article (64)

If the capital of joint stock or limited by shares company, at the foundation stage or at the capital increase or at merger, includes material or incorporeal in-kind payment and whether such payment is presented by all the founders, subscribers and or all or some of the partners, a request should be made by the founders or the board of directors or the managing partner(s), as the case may be, to carry out a valuation of in-kind payment, or merged equities, through the competent committee as defined in the relevant governing law.

Article (65)

For the issuance of shares for in-kind payment, or on the occasion of merger, the value of such shares should be equal to that of in-kind payment, or merged equities as specified by the competent valuation committee.

Article (66)

Entity to which a valuation request is presented should notify the founders' representative or the chairman of the company's board of directors or the managing partner(s), as the case may be, and the offerer of in-kind payment, with the decision of

valuation committee within fifteen day of its adoption by means of registered mail with an acknowledgement receipt.

The concerned parties may contest this valuation, within two weeks from the date of receiving the notification, to the Contesting Committee stipulated for in Chapter Five of the Law, otherwise the valuation is final and binding to the company's Constituent Assembly or the General Assembly, as the case may be. This is without prejudice to the right of offerer of in-kind payment to withdraw or pay the difference in cash.

The concerned parties shall pay an amount to be specified by the Authority as an advance payment for the remuneration of the Contesting Committee.

Article (67)

This contest shall be governed by the same provisions which govern the procedures followed by the Contesting Committee. The Contesting Committee may invite the concerned parties to attend its hearing sessions in order to seek any clarification it may require, or request any documents and information it deems necessary.

Article (68)

No shares may be issued for an in-kind payment or merged equities except after the expiry of period of contest, or after judging the case therein.

Article (69)

The Commercial Register Offices should provide the Authority with any information registered therewith concerning the joint stock or limited by shares companies within two weeks from the date of their registration.

SECTION TWO

ASSOCIATION OF HOLDERS OF BONDS, FINANCIAL NOTES, AND OTHER SECURITIES

Article (70)

Holders of the one and same issue of bonds, financial notes and other securities shall form an Association with the purpose of protecting and safeguarding its members common interest.

Holders of at least five percent (5%) of nominal value of issued bonds, financial notes and other securities may initiate the formation of such an Association.

The Association shall be formed if holders of more than half the issue's value accept to become members thereof.

Article (71)

The Association shall have a legal representative from amongst its members to be selected in the Association meeting by absolute majority of holders of more than half the issue's value. The Association shall determine the term of his representation, the person who deputizes him when absent and his financial remunerations.

If this representative is not selected within three months from the date of the first meeting held for this purpose, each member of the Association may request the Authority to appoint a representative. In such a case, the Chairman of the Authority should decide to appoint the representative within one month from the date of receiving this request.

The legal representative of the Association shall be removed from his office by the absolute majority of holders of more than half of the issue's value if he loses one of the conditions stipulated in these Regulations or for any other reasons, and upon the request of holders of five percent of the issue's value or by the Authority. The decision of his removal should be supported by reasons.

Article (72)

The representative of the Association should be a natural person, and he should not have any direct or indirect affiliation with the company issuing the securities, nor have any conflicting interest with the holders of these securities, nor be a board member, a managing director, a member of the supervisory board, or an employee of the company which owns more than ten percent of the capital of the securities issuer or which is guaranteeing all or part of the debts of the issuing company.

Article (73)

The chairman of the board of directors of the company or its managing director and the legal representative of the Association should notify the Authority of the formation of the Association and the name of its legal representative.

The legal representative should provide the Authority and the chairman of the board of directors of the company, or its managing director with a copy, duly

signed by him, of the resolutions adopted by the Association within fifteen days of the date of their adoption.

Article (74)

The legal representative of the Association shall assume the following duties:

- A. Presiding over the Association meetings, and in his absence and the absence of his deputy, the Association shall select a replacement to chair the meeting;
- B. Carrying out the administrative tasks necessary for the conduct of the Association business and for safeguarding its interest in accordance with the system set for him by the Association;
- C. Representing the Association before the courts, vis-a-vis the company or others; and
- D. Filing lawsuits on behalf of, and as decided by, the Association with the purpose of safeguarding the common interest of its members particularly and when necessary lawsuits related to annulment of the decisions and actions taken by such company and causing harm to the Association.

Article (75)

The company should notify the representative with the dates of the general assembly meetings and provide him with all documents attached to the notification in the same manner such notification is served to shareholders.

The legal representative of the Association shall have the right to attend the general assembly meetings of the company, and to express his views without having the right to vote in the deliberations. He shall be entitled to present to the board of directors or the general assembly of the company the decisions and recommendations of the Association and should record them in the minutes of the meeting.

The legal representative should not interfere in the management of the company.

Article (76)

The Association shall convene its meeting - at any time - in the following cases:

- A. Upon the request of the legal representative.

- B. If the board of directors of the company or the executive partners, as the case may be, so request.**
 - C. If holders of not less than five percent of the value of bonds, financial notes and/or other securities may request, by means of registered mail with acknowledgement receipt, the company or the legal representative of the Association to hold a meeting. If the meeting is not convened within thirty days those who have requested to convene the meeting, or some of them, may request the court to rule for the appointment of an interim representative to convene such a meeting and preside over it.**
 - D. If the Authority so requests.**
 - E. If the company's liquidator, during liquidation period, so requests.**
- The request should, in all cases, include the subject matters to be considered by the Association.

Article (77)

Convener of the Association meeting should provide the Authority and the securities issuing company, with information and notification announcing the Association's meeting on the same date of notification or announcement.

Article (78)

The Association meeting shall be valid upon the attendance of majority value holders of issued bonds or financial notes or other securities. In the absence of a quorum in the first meeting, the second meeting shall become valid with any number of attendees.

Article (79)

Invitation to the Association meeting shall include information required for the ordinary general assembly meetings of the company as stipulated in the Executive Regulations of Law 159 of 1981, in addition to which a statement shall be provided regarding the securities issue or issues whose holders are invited to the meeting and name, address and capacity of the convener to the meeting or the court order, if any, appointing an interim representative to convene such a meeting.

The meeting shall be convened by means of publication in two widely circulated daily newspapers, one of which should at least be an Arabic newspaper, or by means of a registered mail notification to be sent to all holders of bonds, financial notes and other securities on their addresses as kept in the company records.

Article (80)

The person or entity which is requesting the meeting to convene shall prepare the agenda. The holders of not less than five percent (5%) of the nominal value of the bonds, financial notes and/or other securities may request the person or the entity having the right to convene the meeting, to include specific topics on the agenda for consideration by the meeting and the adoption of relevant resolutions thereon.

The meeting shall not discuss, nor adopt, resolutions concerning matters not on the agenda.

Article (81)

Any holder of a bond, a financial note and/or other security shall be entitled to attend the meetings of the Association in person or by proxy.

Holders of bonds, financial notes and/or other securities, which are amortized before full payment of their value, whether for reasons of company bankruptcy or reasons of disagreement on the conditions of refunding the value of the bond, the financial note, or any other security, shall be entitled to attend the meetings.

Holders of these securities may not be represented in the meetings of the Association by members of the board of directors of the issuing company of such securities, or any other company which is guaranteeing their debts, or by the members of its supervisory board, auditors, or by one of employees therein, or the principals, affiliates, or spouses of the persons referred to.

Article (82)¹⁷

The Association shall hold its meetings at the head office of the issuing company or in any other place it may determine in the city where its head office is located. The company shall bear the expenses of the meeting and invitation for it, and the remuneration determined for the legal representative.

Article (83)

The Association shall be entitled, during its meetings held in accordance with the provisions of these Regulations, to take the following measures:

- A. Any measure necessary for safeguarding the common interest of the Association and implementing the terms on the basis of which subscription was effected;
 - B. Determining the costs associated with any of the measures it may take;
- and

¹⁷Replaced by Ministerial Decree no. 586/2000.

- C. Making any recommendations concerning the affairs of the company for submission to the general assembly of shareholders or the board of directors.

The Association shall not take any measures that may increase the burden of its members or result in inequality of treatment among them.

Article (84)

Provisions and terms with regard to convening the ordinary general assembly meeting of the company which are stipulated in the Executive Regulations of Law 159 for 1981, shall be applicable to the meetings of the Association in as far as no specific provision is stipulated in this section.

CHAPTER TWO
STOCK EXCHANGES

SECTION ONE
GENERAL PROVISIONS

Article (85)

Listing and trading of securities on the stock exchanges shall be governed by the provisions of the Law and these Executive Regulations as well as other decisions in connection with implementation thereof.

Article (86)

The stock exchange shall provide and make available therein the equipment and technical means necessary for the listing and trading of securities and for the discharge of its other duties.

Cairo and Alexandria Stock Exchanges (CASE) shall provide means of communication link between them for the execution of a joint trading system.

Trading of securities at the stock exchange shall be according to the rules adopted by the exchange management and approved by the Authority.

Article (87)

Every company or entity having listed securities on the stock exchange shall provide such an exchange with the following:

1. Documentation pertaining to the amendments of its statute within fifteen days of the date of their entry into force;
2. Copy of the balance sheet and other financial statements, names of members of the board of directors and reports prepared by the board and the auditor within fifteen days from the date of their endorsement;

3. A semi-annual record including the value of shareholdings of the company board members, its employee and names of shareholders who own at least 10 percent of the company's shares; and
4. Any other documents the Authority may request.

Without prejudice to the provision of Article (101) of these Executive Regulations none other than the brokerage firms shall obtain (from the stock exchange) any of the documents indicated in this article or any of the information contained therein.

Article (88)

Every stock exchange shall keep a registry of the authorized persons representing the brokerage firms executing transactions. Registration shall be effected upon a decision by the stock exchange which shall notify the Authority of the registered persons names within a week of registration date.

Article (89)

The representative of the brokerage firm who is authorized to trade on the exchange should meet the following conditions:

1. Enjoy legal eligibility;
2. Have good reputation;
3. Have not been disciplinary dismissed from service or has definitely been disciplinary prevented from exercising the profession of brokerage, or any other profession, or has been convicted for a felony or misdemeanor in a crime of honor or integrity, or by penalty restricting freedom in any of the crimes stipulated by the Company or Trade Laws or Capital Market Law, or has been declared bankrupt;
4. Have the experience or undertake the tests or the studies recognized or organized by the Authority;
5. A full time employee and not working in any manner or in any capacity in another brokerage firm, or in any other commercial business; and
6. Holder of university degree.

Brokers, middlemen, and principal delegates who are registered with Cairo and Alexandria Stock Exchanges at the time of entry of this Law into force, shall be exempted from conditions specified by items (4) and (6) of this article.

The concerned party may lodge a contest to the Contesting Committee which is stipulated in the Law regarding the Authority's decision abstaining or denying his registration, or deleting or suspending such registration.

Article 89 Bis

Every stock exchange shall maintain a record where companies, licensed by the CMA to deal in the securities industry and perform the relevant activity, are to be registered.

Registration shall be against a duty and a membership fee as per Article 19 of the Capital Market Law.

The Board of Directors of the Exchange shall render a Decree pertaining the relevant rules and regulation for that registration. Such Decree shall only come into force after approval by the CMA.

Article 89 Bis (A)

Companies registered on the Exchange become Members thereof. Membership Rules shall be issued by a Decree of the Board of Directors of the Exchange, which shall come into force after approval by the CMA.

Article 89 Bis (B)

Types of Membership shall be as follows:

1. Member executing, clearing & settling and dealing in Margin Trading.
2. Member executing, clearing & settling.
3. Member executing whereas clearing & settling via a custodian.
4. Primary Dealers, dealing in government bonds.
5. Custodians.

Article 89 Bis (C)

The Exchange shall be responsible for ensuring that its Members meet the required standards including financial and technical requirements.

The Exchange shall notify the CMA if any of its members', their officers, managers or representatives have violated during their course of work, any provisions of the Capital Market Law, the Central Depository & Registry Law or their Executive Regulations and Executive decrees.

Article 89 Bis (D)

Whenever an inspection may be required on the member for any reason related to its position or activity on the Exchange, the latter must immediately inform the CMA to proceed with the necessary inspection. The CMA may require the assistance of Employees of the Exchange, who will be nominated by the Chairman of the Exchange.

If a member, its officers, managers or representatives violates the provisions of the Capital Market Law or the Central Registry & Depository Law or their Executive Regulations or their Executive Decrees, the Membership Committee may take the following action;

- 1. Alert the Member of the violation and that it should not be repeated.**
- 2. Warn the Member of taking the action stated in paragraph 3 below.**
- 3. Prohibit the Member from using the trading system of the Exchange and Prohibit the employees of such Member from accessing the trading floor for the period set by the Membership Committee.**

The aggrieved person may at all times appeal the Membership Committee's Decision, before the CMA within 15 days from the date it has been notified with the decision.

Article 89 Bis (E)

Every Member executing, clearing and settlement and dealing in margin Trading, shall maintain a minimum net capital of not less than 15% of its total liabilities, or a minimum of LE 750, 000 according to the requirements mentioned in Annex No. 5 attached to this Executive Regulation.

Provision of Article 270 of this Executive Regulation shall apply to the minimum capital rules of the Primary Dealers.

Secondary loans, in all cases, shall not be calculated in the member's capital whose capital adequacy is measured by the net capital, unless it meets the requirements stated in Article 292 of this Executive Regulation.

Article 89 Bis (F)

Members shall submit to the Exchange its annual financial statements with the Auditor's Report, within 90 days of the termination of the fiscal year, and shall submit its quarterly financial statements with the Auditor's notes within 45 days of the end of the quarter. Financial statements shall be prepared according to the Egyptian Auditing Standards.

SECTION TWO

PROVISIONS OF TRADING AND EXECUTION OF TRANSACTIONS

Article (90)¹⁸

Brokerage firm is prohibited from adopting any policy or taking any action which may cause damage to those dealing with it or jeopardizing their rights. The firm is also prohibited from trading for its own account.

Article (91)

Every brokerage firm should record the customers' orders as soon as received. The record should include contents of the order, name and capacity of the issuer of the order, time and manner of order receipt and the price sought by the customer.

Article (92)¹⁹

" Execution of securities Sale and purchase orders, including transactions done by brokerage firms shall be in accordance with orders issued from both parties at the time and place specified by the stock exchange management.. These orders shall be displayed in a manner that ensures publicity and availability of the required information as per the rules determined by the Authority.

Article (93)

The Authority shall oversight the trading market, make sure that trading is effected on sound securities and that stock exchange transactions do not include cheating, fraud, deception and manipulation.

Article (94)

The stock exchange shall establish its operational systems and set the rules which insure fair trading and proper discharge of its duties.

The stock exchange shall form a committee to supervise daily trading and to ensure compliance with laws and regulations and to resolve problems in connection with trading operations.

Article (95)

This article has been amended by Ministerial Decree No. 39 of 1998 .

¹⁹ This article has been amended by Ministerial Decree No. 340 of 2001.

The brokerage firm shall execute the orders as specified by the customer. If the customer does not specify the trading date, the brokerage firm should execute the order during the first session following receipt of order.

Orders shall be executed in terms of priority as have been received by the brokerage firms, orders given to the company's representative during trading shall be executed according to priority of arrival.

The Firm shall complete trading procedures and notify the stock exchange and the customer accordingly in the following working day of such transaction.

Article (96)

The brokerage firm which executes a transaction contrary to the customers' order, or trade a security which is not legally allowed, or which is seized, is pledged to deliver another security within one week from the date it is requested, otherwise it should compensate the customer. This is without prejudice to the Firm's right to claim compensation from the person who has been the cause of such act.

Article (97)²⁰

"Transactions could be executed on any number of securities.

Trading Price of a security shall be the last price of its traded lot (a lot is one hundred security) during a trading day, calculated on the basis of average weighted price by quantity.

The Closing Price of a security shall be the last price of its traded lot on the basis of average price weighted by quantities at the end of the trading day, provided that quantities should not be less than one hundred.

Trading prices shall not be restricted by any pricing limits regarding securities which meet standards set by the Stock Exchange Management provided that such standards should include number of days the targeted security is traded, average of daily transactions and number of trading parties thereon, as well as the issuing company's market capital and rate of the security's rotation.

The Stock Exchange shall make the arrangements necessary for trading of securities mentioned in the previous paragraph.

Standards and arrangements referred to shall be effective after being approved by the Authority and endorsed by the Minister.

The Stock Exchange shall display the transaction prices as well as other bids and offers prices.

Listing of a security shall be deleted if it is not traded for six continuous months.

This article has been amended by Ministerial Decree No. 435 of 1997 , as well as Ministerial Decree 441 of 2002.

Article (98)

The stock exchange shall record trading operations executed by brokerage firms on the same day on which it has been notified. Records shall include names of seller and buyer, full information on the security and the price at which the transaction was concluded. Concerned persons may be given a copy of the record according to the system followed at the stock exchange.

Article (99)

Each stock exchange shall record the transactions of unlisted securities when notified thereafter.

The record shall contain information specified in the preceding Article.

SECTION THREE

SETTLEMENT OF TRANSACTIONS AND DISSEMINATION OF INFORMATION

Article (100)

Ownership of nominal securities listed on the stock exchange shall be transferred once recording of their transaction on the stock exchange through the established means is completed. For unlisted nominal securities, transfer of ownership shall be completed when recorded in accordance with the preceding Article. The owner shall reserve a written document establishing transfer of ownership.

For bearer securities, transfer of ownership shall be effected by the transfer of their holding.

The stock exchange shall notify the issuer of the security of the transfer of ownership within three days from the date of recording. The issuer should register transfer of ownership in its records within a week of notification thereof.

Article (101)

Every stock exchange, within one week of approval to list a specific security, shall provide the Authority with the information it may request, as well as the following information with respect to the type of security:

1. **Concerning Shares:**

- Name of company and its governing law;
- Authorized, issued and paid-up capital.

- **Type of subscription and number of subscribers;**
- **Type of shares and the nominal value of the share and the percentage paid of such value at the date of submitting the statement;**
- **Information on every issue the shares of which have been listed including the issue number, date, value, nominal value of its share, number of shares, and the percentage of bearer shares to the value of issues.**
- **Date of listing approval by the Stock Exchange; and**
- **Type of schedule in which securities have been listed.**

2. Concerning Bonds, Financial Notes, and other Securities:

- **Issuer of bonds, financial notes and other securities;**
- **Value of the bond, financial note and other securities;**
- **The return and maturity date;**
- **Type of subscription;**
- **Date of listing approval by the stock exchange;**
- **Type of schedule in which the listing was approved; and**
- **Date and number of listed issue.**

Every stock exchange shall provide the Authority with the following periodic reports on the trading of securities listed therein:

1. **A daily report on trading: including information on the type of traded securities, price of each, volume of trading, type of transaction and the total number of operations. In addition, it shall include information on the total number of trading operations carried out on unlisted securities;**
2. **A semi-monthly and monthly report on trading: including information on the total value, volume and number of operations of securities trading during the period, as well as the last closing price and the nominal value of the securities, the closing prices of which have been deleted in accordance with the provision of Article 97 of these Executive Regulations; and**
3. **An annual report on trading: including information on the total volume of trading, value and number of trading operations as compared with the preceding**

year. The report shall highlight trading aggregates of the year distributed by different economic sectors and the major phenomenon which have affected the securities market and its trading volume, as well as the suggestion of the stock exchange to remedy the negative effects of such phenomenon. The report shall also include information on the effect of securities trading on the listing of each, on exchange lists A and B together with trading information of unlisted securities.

Article (102)

Trading information shall be published by the stock exchange in a daily bulletin including the following data:

1. Successive prices at which operations have been carried out during the session;
2. Closing price of each security and prices of selling and buying offers, even if no transactions were carried out;
3. Type of securities traded during the day session; and
4. A comparison of the closing price of traded securities during the day with the last preceding closing price of these securities in today's session.

The stock exchange shall prepare a monthly bulletin, including information on the securities which have been approved for listing during the month, the monthly aggregate trading of listed securities classified by economic sector, the trading value and number of operations on the aggregate, and by sector, in comparison with the preceding month. It shall also include important statistical ratios as well as the information which the stock exchange considers necessary for media publication on listed securities.

Article (103)

Companies for clearance and settlement of securities trading on the stock exchanges may be established for the purpose of organizing receipt and delivery of traded securities between brokerage firms and the settlement of financial positions resulting from trading operations by these firms in accordance with the system established by the stock exchange and approved by the Authority.

Until the aforementioned companies are established, the stock exchange shall render such a service according to the system to be established for this purpose.

SECTION FOUR PRIVATE STOCK EXCHANGES

Article (104)

By authorization of the Minister, and in pursuance to a proposal by the Board of Directors of the Authority, private stock exchanges could be established having a private corporate entity where listing and trading shall be limited to one or more type of securities.

Article (105)

Incorporation of private stock exchange shall be according to the provisions, procedures and conditions set forth in these Regulations pertaining to securities intermediation companies.

Article (106)

The contract of private exchange and its statute shall be according to the forms established by the Authority and taking into consideration the provisions of these Executive Regulations.

Article (107)

Founders of the stock exchange shall not be less than twenty members half of them at least have to be banks, insurance companies and securities intermediation companies, or from all provided that they are incorporated in Egypt.

Article (108)

The private stock exchange shall have a fully paid cash capital of ten million pounds divided into portions appropriated to what is paid by each member and the majority of such capital shall be owned by Egyptians.

Article (109)

Private stock exchange general assembly shall be formed by all owners of capital and shall be governed by the provisions and rules pertaining to the securities intermediation companies as stipulated by Article 27 of the Law as far as its functions, meetings, quorum and voting are concerned. Every member shall have one vote irrespective of the number of his portions.

Article (110)

Private stock exchange shall be managed by a board of directors composed of not less than five and not more than nine members appointed by the general assembly from among its members for a period of three years and shall be in accordance with the procedure stipulated by its statute.

Appointment of the first board of directors shall be made by the founders.

There may be two experts among the members of the board even if they are not members of the general assembly of the stock exchange.

Article (111)

Meetings of the board of directors shall not be valid unless attended by the majority of its members. Decisions are taken by majority votes of the attendants.

Article (112)

The following conditions must be fulfilled for the establishment of a private stock exchange:

- 1. Managers of the stock exchange must have had previous experience in connection with securities;**
- 2. Payment of an insurance amount the value of which and the rules and procedures regulating deduction there from, replenishment, management of its returns, and its recovery, shall be determined by a decision of the Minister pursuant to a proposal by the Authority's Board of Directors;**
- 3. None of the founders or managers of the stock exchange should have been convicted for a felony or a misdemeanor affecting dignity or honesty, or for a penalty restricting freedom in one of the crimes stipulated by Company and Commercial Laws or the Capital Market Law, or declared bankrupt, or has been previously disciplinary dismissed from service or disciplinary prevented from exercising the profession of broker or any other profession; and**
- 4. Equipping the premises of the stock exchange with the means and instruments necessary to perform its activity in conformity with the conditions established by the Authority's Board of Directors.**

Article (113)

Application for licensing of a private stock exchange shall be submitted to the Authority including the name of applicant, amount of capital, names of responsible managers and shall be attached to it the following documents:

- 1. contract of incorporation and the statute of the exchange;**
- 2. receipt of payment of insurance amount;**
- 3. receipt of payment of licensing fee to be determined by the Minister;**

4. evidence of cash subscription to the capital of the stock exchange with names of founders and sufficient information about them; and
5. names of auditors and their declaration of acceptance of appointment.

Article (114)

The Authority shall examine the license applications and if the documents are complete it shall proceed with the submission of the matter to the Board of Directors, otherwise it shall notify the concerned parties within fifteen days from the date of submitting the application, in order for them to complete the documents or the information contained therein.

Article (115)

License applications shall be submitted to the Board of Directors of the Authority for consideration.

The Board shall take its decision within sixty days from the date of submitting complete documentation thereto.

Article (116)

The Chairman of the Board of Directors of the Authority shall submit the Board's proposition to establish the stock exchange including the type of securities to be listed and traded therein to the Minister within fifteen days from the date of approval of the Board.

Article (117)

The Minister, before taking his decision in connection with the license application, may request the information he deems necessary for issuing his decree.

The Minister shall issue his decree within thirty days from the date of the Boards' proposition to him, or the date of completing the clarifications he requested.

Article (118)

Accounts of the stock exchange shall be audited by two auditors selected by the general assembly of the exchange, from amongst the auditors registered in a record prepared for this purpose in consultation between the Authority and the Central Accounting Agency.

Consolidated audited reports shall be prepared on the private stock exchange in accordance with the provisions of Article (161) of these Regulations.

Article (119)

The stock exchange shall perform its duties according to the rules set forth by the Authority's Board of Directors, and shall be governed by the provisions of Article (58) of these Regulations.

CHAPTER THREE

SECURITIES INTERMEDIATION COMPANIES

SECTION ONE

GENERAL PROVISIONS

Article (120)

Securities intermediation companies are those engaged in one or more of the activities which include, but not limited to, the following:

- A. Underwriting and promotion of securities.**
- B. Establishing companies which issue securities, or sharing their capital increase.**
- C. Venture Capital.**
- D. Clearance and settlement of securities transactions.**
- E. Formation and management of securities portfolios¹, and formation of investment funds (mutual funds).**
- F. Securities Brokerage.**
- G. Other activities related to securities intermediation as may be defined by the Minister of Economy, after approval of the Authority's Board of Directors.²¹**

²¹It is to be noted that several Ministerial Decrees have been issued adding other activities to companies operating in securities. These Decrees are :

- Ministerial Decree 184/1995 which added securities evaluation, rating and classification to securities-related activities provided that the minimum issued capital necessary to carry out this activity should be LE 500,000 in cash and paid in full.
- Ministerial Decree 891/1995 which added securities records to securities-related activities provided that the minimum issued capital to carry out this activity should be LE one million Egyptian Pounds half of which at least should be paid.
- Ministerial Decree 632/1996 which added evaluation and analysis of securities and dissemination of information thereon in accordance with regulations set by the Authority in the field of securities.
- Ministerial Decree 632/1996 which added direct investment funds to the activities of companies working in securities provided that the following conditions are fulfilled:
 - a- Fund's capital should not be less than LE 10m in cash and fully paid.
 - b- Fund's shares may not be offered, or accepting investors' money through public subscription.
 - c- Dividends shall be distributed between owners of company's shares and holders of investment certificates according to rules set by the Authority.
 - d- The Fund's statute should include activities thereof.
 - e- The Fund shall not invest in securities of one company more than 25% of its money.
 - f- Unless there are special rules or regulations by the Authority, provisions stipulated in Law 95/1992 and its Executive Regulations related to investment funds, shall be applied.
- Ministerial Decree 697/2001 which added " Securitization of Financial Rights Activity".

Article (121)

Underwriting and promotion of securities include the following:

- 1. Management of the business of securities underwriting, promoting the sale and distribution of securities and encouraging investment therein as well as activities related to mass media publicity required for this purpose;**
- 2. Underwriting of securities whether or not offered to the public, and re-offering them for public subscription or direct placement in the same terms and conditions set forth in the prospectus as filed, within a period of not more than one year from date of certifying the prospectus by the Authority, and regardless of the security's nominal value;**

Issuer of the security shall provide the company with the amendments or modifications made during this period so that it can take the necessary measures in conformity with the provisions of Article (49) of Regulations thereof.

The company shall conduct business in accordance with the provisions of the Law, the decrees issued for implementation thereof and the agreement it concludes with the parties concerned.

The Authority shall be notified with a copy of this agreement. It shall advise the company with its observations and comments thereon within thirty days from the date of such notification.

Article (122)

The company shall be considered a company operating in establishing companies that issue securities or in increasing their capital if it falls within the following categories:

- a) If the primary purpose of the company is to conduct such a business;**
- b) If the company alone or together with its founders holds more than half of the capital of five or more joint stock, or limited by shares companies;**
- c) If the company alone or together with its founders has control over the formation of the board of directors of five or more of joint stock or limited by shares companies; and**
- d) If the company conducts the business of establishing joint stock or limited by shares companies, or sharing their capital increase in a manner which makes such a business one of its primary objectives.**

Article (123)

Venture capital business includes financing of companies issuing securities, supporting them, or rendering them technical and managerial services, or taking part in projects and establishments and their development with a view to converting them into joint stock or limited by shares companies if these projects and establishments are of high risk nature, or suffering from financial deficit and related lengthy investment cycle.

Article (124)

Securities intermediation companies as defined by the Law should take the legal form of a joint stock or a limited by shares company.

They should keep the books, ledgers and records necessary for the conduct of business in addition to other records as defined by these Regulations.

Article (125)

The issued capital of the company engaged in one or more of the activities specified in Article (27) of the Law shall be as follows:

1. Minimum L.E. 250,000 for securities brokerage, with no less than one-quarter as paid-up capital.
2. Minimum Three million pounds for each of the following activities, the paid-up part of which should not be less than one-half:
 - A. underwriting and promotion;
 - B. establishing companies which issue securities or sharing their capital increase;
 - C. clearance and settlement of securities;
 - D. formation and management of securities' portfolios.
1. Minimum Five million pounds for investment funds to be paid in full.
2. Minimum Ten million pounds for venture capital to be paid in full.

Article (126)

The maximum value of operations carried out by the companies specified in Article (120) of these Regulations, with regard to each activity, should be determined in relation to its capital and the insurance amount paid by it according to the rules established by the Authority's Board of Directors.

The insurance amount shall be determined in consideration of the size and type of the company's business, the risk involved in conducting such business and liabilities of the company.

Article (127)

Irrespective of its governing law, companies engaged in the business specified in article (27) of the Law shall not be incorporated except in accordance with the provisions of the Law and the conditions stipulated therein as well as these Regulations.

Founders or the managing director, as the case may be, may apply for the Authority's approval in principle before they proceed with the incorporation or licensing of the company. Application should be supported with the documents as defined by the Authority. Approval shall be subject to market needs of the business for which licensing is being sought or for which the company is being incorporated.

In case the purposes of the company are multiple they should not be conflicting.

SUBSECTION ONE

INCORPORATION

Article (128)

Applications for the incorporation of securities intermediation companies shall be submitted to the Authority on the form it prepared enclosing the following documents:

1. Three copies of the initial contract of incorporation and the statute of the company signed by the founders or their proxy;
2. A certificate from the Commercial Register indicating non-confusion between the trade name of the company and of any others;
3. Acknowledgment of the competent authority of the corporate person with the appointment of its representative in the Company's board of directors, in case such person is a board member;
4. Acknowledgment of the company's Auditor confirming acceptance of his appointment in this capacity;
5. Certificate from the entity receiving subscriptions indicating full cover of subscription to all shares and portions of the company, that the minimum payable amount of cash shares or portions is already paid, and that no withdrawals shall be made from this amount except after registration of the company's statute and incorporation's contract with the Commercial Register;

6. **Statement from the founders' attorney of any amendments made to the model of the initial contract of incorporation and to the statute of the company;**
7. **If the contract of incorporation stipulates establishment of founder's portions or profit share, the provision should be made of documents proving the existence of such commitment together with a certificate indicating assignment thereof to the company after its incorporation;**
8. **If the company's capital includes payment in-kind, a certificate indicating that such in-kind share has been valued and its relevant procedures have been completed; and**
9. **Receipt of incorporation fees payment to the Authority.**

Article (129)

The Authority shall maintain a record in which all incorporation applications are recorded with successive serial numbers as per the date of submission of each. Each application shall have a special file in which all incorporation documents and its related procedures are kept.

The Authority shall provide the applicant with a receipt indicating submission of application, its date and number of entry into the said record.

Article (130)

A committee shall be established by a decree of the Authority's Chairman comprising technical and legal competence to examine the applications for the company's incorporation.

Such a committee shall have a technical secretariat composed of a sufficient number from the Authority's staff.

The Chairman of the Authority shall determine remunerations of the committee members and the technical secretariat.

Article (131)

The committee's secretariat shall record all incorporation applications in the record stipulated in Article (129) hereof. When all documents are complete the case shall be submitted to the committee for examination. If the documents are incomplete or information are missing the concerned parties shall be notified

therewith within fifteen days from date of submitting the application in order to complete them. An indication to this effect shall be made in the record accordingly.

Article (132)

The committee's denial of the application should be supported with reasons.

The committee's approval decision shall not be final except after the Authority's Chairman endorsement thereon.

The concerned parties should be notified with the Committee's decision within fifteen days from date of its endorsement.

SUBSECTION TWO

LICENSING

Article (133)

It is unlawful to conduct any of the business related to securities intermediation except after obtaining a license therewith from the Authority.

Licensed companies shall be registered with the Authority in a special register prepared for this purpose indicating the company's serial number, type of license granted to it and including company's information, capital, members of board of directors and managers and branch offices.

Each company granted this license shall be given a certificate indicating type of business it is licensed for and it should refer to in its correspondence.

Article (134)

Licensing fees are paid to the Authority as follows:

1. Two Thousand pounds for each type of business of the securities intermediation companies as stipulated in Article (27) of the Law with the exception of investment funds and venture capital activities. In case of combining all or part of these activities the licensing fee shall be Ten Thousand pounds at a maximum.
2. Ten Thousand pounds for the Investment Fund and the Venture Capital.
3. Ten Thousand pounds for the Investment Manager.

Article (135)

Application for licensing shall be submitted on the form prepared for this purpose, enclosing the following:

1. Certificate of the company's registration in the Commercial Register and registration date, number and place;

2. **Activities required to be carried out and the extent of capital adequacy in relation to these activities;**
3. **Names of members of the board of directors, the directors and their experiences as defined by the Authority's Board of Directors in this respect;**
4. **A proof that founders, members of the board of directors and the directors were not convicted of any crime, felony or misdemeanor, concerning honor and integrity or in one of the crimes stipulated in the Company and Trade laws, or to any declaration of bankruptcy unless rehabilitated;**
5. **Receipt indicating payment of license fee;**
6. **Receipt indicating payment of insurance amount as specified by the Authority's Board of Directors; and**
7. **Any amendments that may be made to information and documents pertaining to the company and on the basis of which it is incorporated.**
8. **Proof that the company, if it is a securities funds management company, or securities brokerage, or portfolios formation, books management, central settlement, clearing and maintenance, has made insurance against loss or damage to its customers because of an error committed by the company, directors or staff, or as a result of loss, damage or theft of customers' documents and money, as per a decree by the Authority's Chairman to this effect.²²**
9. **Rules developed by securities evaluation, rating and classification companies regarding credit rating and categories thereof together with rules and regulations of internal surveillance which prevent the usage of information available with these companies on entities or securities under rating for a purpose other than such rating.²³**

Article (136)

License shall be granted by a decree of the Authority's Chairman within sixty days from date of submitting complete documentation to the Authority.

License denial decision should be causative.

The parties concerned should be notified with the Authority's decision within fifteen days from date of issuance thereof.

Article (137)

The denial decision regarding incorporation or licensing applications may be contested before the Contesting Committee stipulated for in Chapter Five of the Law within fifteen days from the date of notifying the concerned party, or his

²²Item 8 has been added as per Ministerial Decree 397/1998.

²³Item 9 has been added as per Ministerial Decree 586/2000.

knowledge thereof. The contest should include reasons for lodging it and shall be supported with documentation.

The Contesting Committee shall proceed with the examination of the contest and it may, in the course of so doing, request any further clarifications either from the contestant or the Authority. The relevant decision should be taken within fifteen days from the date of submitting the contest or from the date of submitting the requested clarifications.

The committee's decision regarding the contest shall be final and enforceable. Lawsuit for nullification of the denial decision, with regard to incorporation or licensing applications, shall not be accepted before contesting.

Article (138)

Companies or entities presently engaged in any of the activities stipulated in Article (27) of the Law, whatever its governing law is, should provide the Authority within thirty days from date these Regulations come into force, with the following information:

1. Initial contract of incorporation and the statute;
2. The decree approving the incorporation of the company;
3. The annual report and approved financial statements for the last financial year;
4. Business concern of the company;
5. The shares it holds in existing companies in Egypt and abroad; and
6. Names and curriculum vitae of members of the board of directors and the managers.

Article (139)

Companies and entities referred to in the preceding article should adjust and amend their status to comply with the provisions of the Law and the decisions issued for its implementation, within the period stipulated in Article (34) of the Law.

Before adjusting their status and applying to the Authority for licensing they should introduce the necessary amendments to their statutes in conformity with

the provisions of the Law and the executive decrees for its implementation and refer them to their relevant authorities in accordance with terms and procedures prescribed in these statutes.

Procedures and rules stipulated in these Regulations shall be applicable in connection with licensing.

Provisions of this Article shall be applicable to the Public Business Sector companies in accordance with terms and conditions as agreed between the Minister of Public Business Sector and the Minister of Economy after being consulted with the Chairman of the Authority.

SECTION TWO

INVESTMENT FUNDS

SUBSECTION ONE

GENERAL PROVISIONS

Article (140)

Investment Funds aim at investing their assets in securities. They should not carry out any banking activities, particularly lending or guaranteeing any third party, or activities related to currencies or bullion speculations.

These Funds shall not deal in other financial movables or any other investment activities unless they are granted a special license from the Authority's Board of Directors and within the limit, to be specified by such Board, of the assets to be invested in this respect and subject to the provision of a study by the Fund of the areas it intends to invest in, its justification, and expected results.

Article (141)

An Investment Fund Company shall be incorporated and licensed to conduct the business according to the provisions of the Law and these Regulations which govern securities intermediary companies. On submitting the license application, the Fund should provide the Authority with the following additional information:

- Manner of Fund management.
- Amount of assets to be invested provided it does not exceed maximum limits specified by its statute and these Executive Regulations.
- Investment policy of the Fund.

- **Name of the custodian bank with which the cash money of the Fund and the securities it holds are being deposited.**
- **Name of the Investment Manager, his previous experiences and copy of the contract concluded between him and the Fund.**

Article (142)

The statute of the Fund shall determine the manner in which the majority of members of the board of directors shall be appointed in accordance with the provisions of Article (35) of the Law, and it shall also specify how holders of Investment Certificates shall participate in the selection of board members. The board of directors should be formed in such a manner within the three months following the completion of subscription to investment certificates and not later than one year from the date of issuing the Fund's license. The Fund shall be administered during this period by an interim board of directors to be selected in the manner defined by the statute.

Article (143)

The Fund may invest its assets in securities within the limits and according to the following conditions:

- 1- The Fund shall not invest in the securities of a single company more than 10% of its assets, nor to exceed 15% of the securities issued by such company.**
- 2- The Fund shall not invest in Investment Certificates issued by other Investment Funds more than 10% of its assets, nor to exceed 5% of the assets of each Investment Fund in which it is investing.**

Article (144)

The Fund should maintain sufficient liquidity for the purpose of meeting requests of redemption of investment certificates in accordance with of redemption conditions specified by the prospectus.

The Fund shall not borrow more than 10% of the value of outstanding investment certificates, provided that the loan should be of a short term and approved by the custodian bank with which the Fund is depositing the securities it holds.

Article (145)

The Fund should not follow a policy which is likely to cause harm to the rights or interest of investment certificates holders.

The basic information of the Fund's prospectus shall not be amended except with the approval of certificates' holders.

Procedures of convening the general assembly meeting of certificates holders, attendance quorum and voting shall be governed by provisions and rules stipulated in these Regulations with regard to holders of bonds, financial notes or other securities.

The Fund Company should provide the representative of the Association with copy of reports specified in Article (58) thereof, and before convening the company general assembly meeting for the purpose of approving the balance sheet, profit and loss accounts, it should dispatch to each holder of investment certificates, at his address, all documents it sends to its shareholders.

Article (146)

With regard to investors' subscriptions the Fund shall issue securities in the form of nominal investment certificates with equal value.

The Fund shall not issue bearer investment certificates except according to terms and conditions set by the Authority's Board of Directors for each case separately, and on condition that the number of these certificates does not exceed 25% of the total certificates issued.

Each certificate shall be signed by two members of the Fund Board of Directors, to be designated by the Board together with the responsible managing director, and the certificates shall have coupons with serial numbers including the certificate's number.

The Authority should be provided with model of investment certificate before offering it for subscription.

Investment certificates shall not be issued unless their value is fully paid in cash as per issue price. These certificates entitle investors to equal rights vis-à-vis the Fund, and holders shall have the right to share profits and losses resulting from the Fund's investments, each in proportion to the certificates he holds, and in accordance with the terms and conditions specified by the prospectus.

Article (147)

The Fund's statute shall determine the maximum initial amount of funds to be raised through subscriptions and investment certificates to be issued in return thereof, at a limit not to exceed ten times the paid up capital of the Fund Company.

Article (148)

The Fund shall determine the nominal value of the Investment Certificate upon issuance. It should not be less than Ten Egyptian Pounds and not more than One Thousand Egyptian Pounds.

Investment certificates may be produced either in a single certificate, or five denominations and their multiples.

Article (149)

Investment Certificates which have been granted issuance approval should be issued only once.

Article (150)

Investment Fund shall not issue investment certificates for in-kind payment or incorporeal payment.

Article (151)

Investment Fund shall file with the Authority, for approval thereof, a prospectus for public offering of investment certificates.

The prospectus shall be prepared on the form provided for or approved by the Authority, and shall be supported with documents verifying information therein.

Article (152)

The public offering prospectus prepared by the Investment Fund should include the following information:

- 1- Name and Legal form of the Fund;
- 2- Purpose of the Fund;
- 3- Date and number of the Fund's License issued by the Authority;
- 4- Duration of the Fund;
- 5- Maturity and nominal value of investment certificate;
- 6- Number and denominations of investment certificates;
- 7- Name of the Bank authorized to receive subscription;
- 8- Minimum and maximum limits of subscription to investment certificates;
- 9- The period during which subscription is made;
- 10- Names of the Fund Board members and Directors in charge of administration;
- 11- Auditors names;
- 12- Name of Investment Manager and adequate summary of his previous business experiences;

- 13- Investment policies;
- 14- Annual dividends and capital gains distribution policy, and how capital gains are dealt with and the liability extent of certificate's holder at Fund liquidation;
- 15- An indication whether the certificate value could be redeemed before maturity, cases of such redemption and procedures and manner of re-selling it in accordance with the decisions of the Authority's Board of Directors in this respect;
- 16- Regular disclosure of information;
- 17- Remunerations of Investment Manager;
- 18- Financial burdens to be borne by investors;
- 19- Method of regular evaluation of Fund's assets; and
- 20- Any other information as considered necessary by the Authority.

Article (153)

The Authority shall examine the prospectus and the attached document thereof, and shall certify it when the documents are complete.

If the documents are incomplete, the concerned parties shall be notified within fifteen days from date of submission in order to complete them.

In all cases, the Authority shall take its decision within fifteen days from the date the documents are submitted to it or from the date of completing them. The parties concerned shall be notified with such a decision within one week from the date the decision was taken.

The Authority's approval of the prospectus shall be nullified in case subscription does not start within two months from the date of notifications therewith.

Article (154)

Subscription to investment certificates shall be made through one of the Banks authorized by the Minister.

The period during which subscription to publicly offered investment certificates is effected shall be for not less than fifteen days following which the offering may be concluded in case subscription is fully covered.

Article (155)

Subscription to publicly offered investment certificates shall be proven by a voucher of subscription signed by the subscriber or his proxy and the representative of the concerned Bank receiving subscriptions including the following information:

- A- Name of the Fund issuing the certificates;
- B- Number and date of the Fund's license;
- C- Name of subscriptions receiving bank;
- D- Name, address, and nationality of subscribers to nominal certificates and date of subscription;
- E- Total value of certificates offered;
- F- Value and number of subscribed certificates numerically and in letters; and
- G- Cases and conditions of redeeming the value of certificate before maturity.

If investment certificates are not offered for public subscription, the voucher shall include - in addition to the foregoing information - the information contained in the prospectus as prescribed in article (152) of these Regulations.

Article (156)

If the subscription period expires without full coverage of the offered investment certificates, the Fund may modify the amount being raised to be equal to the value of the certificates which have been subscribed to provided it is not less than fifty percent of the total value of the issued certificates. In such a case, all documentation of the Fund shall be changed and amended accordingly.

The Fund's license shall be revoked if it is not amended according to the foregoing paragraph or if the number of certificates subscribed to is less than 50%. Subscriptions receiving Bank shall refund in full to the subscribers, upon claiming repayment, the amounts they paid including issue charges.

Article (157)

If subscription applications to certificates exceed the number of offered investment certificates, appropriation will be made among subscribers each in proportion to his subscription. Fractions resulting from allocation process shall be rounded up in favor of small subscribers.

In this case, the subscriber shall submit subscription voucher to the concerned Bank in order to certify the number of certificates appropriated for him and the amount paid for it, whereupon the remainder of the paid amount at subscription shall be refunded.

Subscriptions receiving Bank shall not disclose name of subscriber to bearer certificates whenever such a name is known to the bank through any other dealings.

Article (158)

The Fund may not redeem investment certificates value to their holders nor distribute to them any dividends in violation of terms and conditions of the issue.

Article (159)

If the prospectus indicates the right of certificate holder to redeem value before maturity, he shall receive the value in which the certificate is issued or the last closing price thereof at the stock exchange whichever is less.

The Fund shall not issue replacement certificates to those redeemed.

Article (160)

The value of securities held by Investment Funds shall be computed, upon preparing financial statements, on the basis of market value thereof and provided that the Fund shall set aside at least 50% of net increase of the market value of its assets as capital reserve.

Proceeds of Fund liquidation shall be distributed among the Fund Company's shareholders, and holders of investment certificates outstanding at the time of liquidation in proportion of paid up capital of the Fund Company to the balance due to holders of certificates on that date.

Article (161)

Fund Auditors shall have access to the Fund's books and may request data and explanations, and inquire about assets and liabilities separately. They are both required to submit a consolidated report and in the case of differences the report shall indicate and explain aspects of differences and the view of each.

Article (162)

The Fund shall be terminated in case the number of investment certificates is reduced to 50% of total number of subscribed certificates unless the majority of certificate holders decide to continue the Fund activities at a meeting to be convened by the Fund Company and attended by a representative of the Authority.

The Company should invite for such a meeting within a week from the date on which the number of certificates is reduced to the limit referred to above, otherwise the Authority shall convene the meeting.

In all cases, the meeting should be held within the week following the date of extending this invitation.

The Fund, in all cases, shall be terminated and dissolved if the number of documents falls below 25% of subscribed certificates.

Article 162 - B¹

Direct Investment Funds shall not be governed by the same rules specified by this Executive Regulations with respect to investment percentages as well as venues of investment.

SUBSECTION TWO

INVESTMENT MANAGER

Article (163)

The Fund shall entrust an experienced entity in investment funds management to run all its activities. Such an entity shall be called Investment Manager.

Article (164)

The Investment Manager should satisfy the following conditions:

- 1- Be an Egyptian joint-stock company, and the paid up cash capital of which shall not be less than one million pounds, or to be a specialized foreign entity in accordance with what shall be determined by the Board of Directors of the Authority in this respect;**
- 2- Persons who will conduct such business should have the experience and qualifications required for managing the investment Fund activity;**
- 3- Members of the company's board of directors, its directors and personnel, or the managing director of the foreign investment manager and members of his staff should not have been disciplinarily dismissed**

¹ This Article has been added by Ministerial Decree No. 935 for 1996 ..

The following text has been added as per Article 3 of Ministerial Decree 397/1998 :
Securities funds management company, or securities brokerage, or portfolios formation , books management, central settlement, clearing and maintenance operating on the date when this decree has become effective, should make , within six months of this date, insurance against loss or damage to its customers because of an error committed by the company, directors or staff, or as a result of loss, damage or theft of customers' documents and money, as per a decree by the Authority's Chairman to this effect.

from service, nor prohibited disciplinarily from conducting stockbroker profession or any other profession, nor have been convicted for any felony or misdemeanor in crimes related to honor or integrity, or by freedom restricting penalty in any of the crimes stipulated in Company, Trade, or Capital Market Laws, or declared bankrupt; and

- 4- The Authority's Board of Directors shall determine payment of an insurance amount the value of which, rules and procedures governing deductions therefrom and completion thereof as well as management of its proceeds and method of redemption.

Article (165)

It shall be unlawful of the Investment Manager to conduct such a business without being registered with the Authority in the register prepared for this purpose.

Registry application shall be submitted on the form to be approved by the Authority and supported with the following documents:

- A. The company's incorporation contract and statute, or relevant documents for the foreign investment managers as defined by the Board of the Authority, as the case may be;
- B. Names of board members and directors as well as their experiences and addresses;
- C. Business history of the company related to investment funds management;
- D. Receipt indicating payment of prescribed fees to the Authority; and
- E. Any other documents as required by the Authority.

The Authority should make its final decision regarding registration application within thirty days from the date of submission or of completing information and documents required by the Authority during such a period.

Investment Manager may contest to the Contesting Committee stipulated in the Law, the Authority's decision abstaining or denying his registration, or deleting or suspending such a registration.

Article (166)

The Investment Fund shall conclude a management contract with the Investment Manager and shall provide the Authority with a copy of that contract before it is put into effect in order to ensure and verify conformity of its provisions with the Law and its executive decisions.

The Authority shall provide the Fund with its views on the contract within fifteen days from the date of receiving the Fund's notification.

Article (167)

The management contract of the Fund shall particularly include the following:

- 1- Rights and obligations of the parties to the contract;
- 2- Remuneration of the Investment Manager;
- 3- Cases and procedures of redeeming investment certificate in case the prospectus specifies possibility of redemption;
- 4- Identification of the representative of the Fund on the boards of directors and the general assemblies of the companies in the shares of which the Fund invests its assets;
- 5- Cases of contract termination and revocation.
- 6- Investment Manager relationship with the custodian bank for the securities held by the Fund in as far as such securities are concerned; and
- 7- Cases and limits within which Investment Manager shall be allowed to borrow from third parties for the account of the Fund and subject to the limit stipulated in Article (144).

Article (168)

If an investment Fund is licensed to conduct other business not related to securities in accordance with the provisions of Article (140) of these regulations, the Investment Manager may, after the Authority's approval, assign the management of such business to a specialized entity. The Investment Manager shall be held responsible for such entity.

Article (169)²⁵

The Investment Manager shall be prohibited to carry out the following actions:

1. All prohibited actions on the part of the Fund whose investment being managed by him;

²⁵This Article has been substituted by Ministerial Decree 360/1996.

2. Using the Fund's assets in founding new companies, or buying securities of companies under liquidation, or in a state of bankruptcy;
3. Benefiting for himself or his directors or staff from any gains or advantages from transactions carried out by him;
4. Having affiliation of any kind with companies investing in their securities for the account of the Fund under his management;
5. Investing for his account or that of his staff in the certificates of Funds under his management;
6. Obtaining loans from others unless allowed by the management contract to do so, and within the limits prescribed in the contract;
7. Buying securities not listed on the Stock Exchange in Egypt, with the exception of government securities, and the securities of the Public Business Sector companies, nor buying securities not listed on a Stock Exchange abroad or which are listed on an exchange abroad but not supervised by a governmental regulatory commission;
8. Investing the Fund assets in certificates issued by another Fund he is managing;
9. Disclosing or publishing incorrect or incomplete data and information, or withholding material information or data; and
10. Carrying out false transactions aiming at increasing stockbroker's commissions or other expenditures and remunerations.

Article (170)

The Investment Manager shall keep independent and separate accounts for each Fund under his management and maintain books and records necessary for the conduct of business in addition to any other books and records determined by the Authority. He shall provide the Authority with the documents and information it may request.

Article (171)

The Investment Manager should manage the Fund's assets with utmost care and diligence and protect the Fund's interest in each transaction, act, or disposition including all necessary caution and hedging to market risks, diversifying the aspects of investment and avoiding any conflict of interests between the holders of investment certificates, the Fund's company shareholders and those affiliated to the Fund.

Any stipulation or clause relieving or alleviating the Investment Manager from responsibility shall be considered null and void.

SUBSECTION THREE

BANKS INVESTMENT FUNDS AND INSURANCE COMPANIES

Article (172)

Banks and Insurance Companies intending to carry out the activities of Investment Funds should submit license application to the Authority, including the following information, and supported with the following documents:

- 1. Approval of the Central Bank of Egypt or the Egyptian Insurance Supervisory Authority, as the case may be;**
- 2. Duration of the Fund;**
- 3. Amount allocated for the conduct of such a business, provided it is not less than five million Egyptian Pounds;**
- 4. Fund's investment policies;**
- 5. Manner of regular disclosure of information and data related to the Fund activities;**
- 6. Certificates' redemption system and their re-issuing;**
- 7. Management of the Fund and manner of estimating management remunerations;**
- 8. Method of regular evaluation of the Fund's assets and the manner of determining the rights of the certificate;**
- 9. Cases of Fund's liquidation and the related governing rules;**
- 10. Other information as required by the Authority; and**
- 11. Receipt indicating payment of license fees to the Authority.**

The procedures, provisions and rules applicable to Investment Funds which take the form of a joint stock company shall apply to the licensing of such funds.

Article (173)

The Fund's prospectus shall include an indication whether the assets of the Fund shall be invested in securities owned by the Bank or the Insurance Company, an indication of the issuer of these securities, and that such investment shall be made on the basis of fair value of these securities as verified by the Bank's Auditor or the Insurance Company.

The Bank or the Insurance Company shall guarantee that the information contents of the prospectus are accurate.

Article (174)

Subscription to Investment certificates issued by the Investment Funds of Banks and Insurance Companies shall be made according to the procedures and provisions prescribed in Section One of this Chapter, provided that the prospectus includes an indication of the manner of certificates' redemption and related conditions, terms and procedures thereof.

The Bank or the Insurance Company shall maintain in the Fund's accounts adequate liquidity to meet redemption claims.

Article (175)

Maximum amount of investors' subscription to bank or insurance company Investment Fund shall be twenty times the amount appropriated to conduct that business.

Article (176)

Investment Fund of a bank or insurance company shall not invest in other Investment Funds established by any of them, or in Investment Funds to be established or shared by banks or companies where the same bank or insurance company is a shareholder.

Article (177)

The value of redeemable certificate shall be determined on the basis of its share in the net value of the Fund's assets at the end of the last working day of the week prior to redemption.

The Fund may issue investment certificates replacing the redeemed ones, according to the Fund's statute, and within the maximum authorized limit.

Article (177 (bis))²⁶

In case the number of certificates in a bank or insurance company investment fund has decreased to 25% of the total number of certificates and this

²⁶ Article 177 bis has been added as per Minister of Economy Decree 276/1999.

decrease continued for six consecutive months, the Auditors of the Fund's accounts should notify holders of the same. In such case holders of 5% of certificates at least may call for a meeting of the Fund's certificates holders to consider its continuity. The meeting shall only be valid if three quarters of certificates holders attended. Decisions by the meeting shall be adopted by two thirds majority of votes represented therein.

Article (178)

The Fund assets, investments and activities shall be separated from the Bank's or Insurance Company's assets.

The Bank and the Insurance Company should keep the accounts of the Fund separate from the accounts of their other activities, or of clients' deposits, or the funds of owners of insurance policies, as the case may be. The Bank or the Insurance Company shall maintain the books and records necessary for the conduct of the Fund's business. The Authority shall have the power to supervise the operations of the Fund and have access to information and documents concerning such operations, and to ensure that these operations are carried out in accordance with the provisions of the Law and Regulations as well as the decrees issued for implementation thereof, and pursuant to the rules set forth for the Investment Funds taking the form of joint stock companies.

Article (179)

The Bank or the Insurance Company shall provide the Authority with semi-annual reports on the Investment Fund's activities and the results of its business. These reports should include information disclosing actual financial position in accordance with the rules of disclosure set forth in Annex (2) of these Executive Regulations. These reports shall be audited by the Auditors who are appointed in accordance with the provisions of Articles (40) of the law.

An adequate summary of these reports shall be published according to the provisions of Article (6) of the Law.

Article (180)

The Bank or the Insurance Company shall entrust the management of Fund's activities to an experienced entity according to the rules and provisions of these Regulations. The Bank or the Insurance Company shall be accountable for the mismanagement of such entities which may cause harm to the Fund.

Article (181)

Securities in which the Fund invests its assets shall be deposited in the same bank owning the Fund or any other bank under the supervision of the Central Bank of Egypt.

The Investment Manager in charge of management of the Fund's activities shall submit to the Authority adequate information on such securities to be certified and endorsed by the Bank or the Insurance Company, and using the Form provided for or approved by the Authority.

Article (182)

Investment certificates issued by the Funds of Banks or Insurance Companies shall not be listed or traded on Stock Exchanges.

Article (183)

Subject to any special provision prescribed in this Subsection, the provisions and procedures governing the Investment Funds Companies stipulated in the Law and these Executive Regulations shall apply to the Investment Funds established by Banks and Insurance Companies.

CHAPTER FOUR FEDERATION OF SHAREHOLDING EMPLOYEES

Article (184)

Employees of any joint stock company or limited by shares company may establish a Federation to be called: "Federation of Shareholding Employees" for the purpose of owning part of the shares of the company where such a Federation is established, and distributing profits realized by these shares among the members in accordance with its statutes.

The company where the employees have the right to establish a Federation, should be one of the companies governed by the provisions of the Law of Public Sector Authorities and Companies as promulgated by Law 97 of 1983, or one of the affiliated companies governed by the provisions of the Law of Public Business Sector Companies as promulgated by Law 203 of 1991, or companies governed by other laws and fulfill the following conditions:

A-Its capital should be not less than One Million Pounds;

B-The number of the company's permanent employees should not be less than fifty.

Article (185)

The Federation of Shareholding Employees shall fulfill the following requirements:

- 1. It should be registered with the Authority and have written by-laws;**
- 2. Only employees of the company should participate in its institution and join its membership;**
- 3. Membership of the Federation at registration should not be less than 20 members.**

Article (186)

Subject to the provisions of Federation Model Statute, the statute of the Federation should contain the following information:

A-Name of the company in which the Federation is established, the scope of business and headquarters;

B- Head office of the Federation;

C-Organs of the Federation, their functions and methods of members selection, their removal from office, or annulment of membership and justifications required for validity of their decisions;

D-The system and conditions set for the Federation's membership, the rights and duties of members and particularly the right of attending the general assembly meetings and the quorum required for the validity of such meetings and voting;

E-The Federation's self-financing resources and the method of utilizing and disposing thereof;

F-System of financial control and auditing;

G-The name of custodian Bank of the Federation funds;

H-The percentage to be deducted from the profits to cover the Federation management expenses; and

I- Method of amending the Federation's Statute.

Article (187)

Founders shall elect among themselves a committee of three persons to be empowered with completing the procedures of incorporating the Federation. The committee should submit to the Authority the following documents:

- 1. Application of the Federation incorporation;**

2. Five copies of the foundation contract duly signed by all founders of which three copies shall be countersigned by the company;
3. Five copies of the Federation's statute duly signed by all founders, of which three copies shall be countersigned by the company;
4. Five copies of the list of the Founders' names showing full name of each founder, surname, age, religion, nationality, profession and domicile and signed by the committee members; and
5. Five copies of the minutes of the Founders' meeting during which the committee entrusted with completing the foundation procedures was elected duly signed by all founders.

Founders of the Federation shall be responsible for the expenses to be incurred in its incorporating and the general assembly of the Federation shall refund to them such expenses.

Article (188)

The Authority shall examine the applications for incorporation and take a final decision in respect thereof within thirty days from the date of submitting complete set of documents.

Upon approving the application the Authority shall mark two copies of the Federation's statute with an annotation indicating its registration, date and number of such registration and a copy of which shall be forwarded to the Federation together with the registration certificate. The second copy shall be kept by the Authority.

Article (189)

In case the Authority refuses the application for incorporating the Federation it shall notify the founders with such decision and the reasons for such refusal by registered mail to which shall be attached the documents actually submitted to it, while keeping a copy of each of them. Parties concerned shall have the right to contest the decision to the Contesting Committee stipulated by Article (50) of the Law within thirty days from the date of notifying them with the refusal decision.

Article (190)

The Federation shall be established by a decree from the Authority. The Authority shall proceed to register the Federation statute in the register prepared for this purpose.

The corporate personality of the Federation shall be established and become effective as of the following day to the date of issuing the decree of the Federation's incorporation.

Article (191)

The " Federation " may own part of the company's nominal shares in favor of its members in the following manner:

1. With the approval of the company's founders in the value and conditions to be agreed upon;
2. With the approval of the company's extraordinary general assembly meeting through increasing its capital and appropriating the whole or part of this increase for the Federation in the value and conditions to be agreed upon; and
3. Buying the company shares whether listed or not on the stock exchange. The Federation should not hold less than five percent (5%) of the value of the company's nominal shares.

This percentage may be reduced by a decision of the Authority's Board of Directors in the cases it deems possible.

Article (192)

Shares owned by the Federation shall be evaluated according to the following rules:

1. Shares of the public sector companies which are held by individuals or private corporate entities shall be evaluated according to their market value;
2. Shares of public business sector companies shall be evaluated according to the governing provisions of the Law of Public Sector Business Companies as promulgated by Law 203 of 1991; and
3. Shares to be owned with the approval of the founders or the company's extraordinary general assembly shall be evaluated according to the value and conditions to be agreed upon.

Article (193)²⁷

Pursuant to the conditions at which the shares are bought from the company founders or its extraordinary general assembly, the Federation shall have the right to sell its shares with the approval of its extraordinary general assembly provided it notifies the company sixty days before the date of transaction, specifying the number of shares to be disposed of, their type and the price offered for them.

The Authority's Board of Directors should endorse such action if the result of which reduces the Fund's ownership of the company's shares to below minimum limit stipulated for in paragraph 2 and 3 of Article 191 of the Regulations hereof, otherwise, such action would be null and void.

Article (194)

²⁷The last paragraph of Article 193 has been added as per Minister of Economy and Foreign Trade Decree 93/2000.

The right of Federation members shall be confined to profits realized by the shares.

Employee's membership of the Federation shall lapse through his withdrawal thereof or termination of his service with the company.

The employee whose membership has lapsed or his inheritors shall have the right of redeeming the value of his contribution to the Federation computed according to the Federation's last approved balance sheet. The Federation may not delay redemption of the value of this contribution for more than three months from the lapse of the employee's membership.

Article (195)

The Federation shall be managed by a Board of Directors formed of not less than three and not more than five members.

The Federation's statute shall specify the Board's functions and powers and the manner of electing its members and terminating their membership.

Article (196)

The Federation's general assembly is the highest authority and is formed of all members.

The general assembly shall convene its meetings at the Federation's head office. The Board of Directors may call the general assembly to convene its meeting at another venue to be specified in the invitation to the meeting.

Article (197)²⁸

The general assembly of the Federation shall convene on the basis of:

A-an invitation by the Board of Directors;

B-a written request to be submitted to the Board of Directors by 25% of members who have the right to attend the general assembly with an indication as to the purpose of such meeting; and

C-an invitation by the Authority if it deems it necessary. It may invite the general assembly to convene if the Federation Board does not respond to the request referred to in the previous paragraph.

Article (198)

²⁸This Article has been replaced by the Ministerial Decree 92/2000.

The Federation's self-financing resources shall be composed of the following:

1. members contributions as determined by the Federation's statute;
2. shares selling proceeds ;
3. loans;
4. grants and donations as accepted by the Board of Directors and within the Federation's purposes; and
- 5- any other resources resulting from Federation's activities.

Article (199)

Conditions and procedures of incorporating the Federation shall be observed while amending its statute.

Article (200)²⁹

The Federation shall be written off and deleted by a decree of the Authority in the following cases:

- 1- Termination of the company in which the Federation is established;
- 2- A resolution by the extraordinary general assembly of the Federation; and
- 3- If the Federation fails to realizing the purpose for which it is established or if it conducts an activity different from such purpose. The Authority shall notify the Federation with such violation and specify a date to remove and remedy the violation before taking a decision to delete the Federation.

Deletion of the Federation shall not take place until after it fulfills its commitments resulting from contracts to purchase the company's shares or commitments resultant there from.

Article (201)

The Federation shall be notified with deletion decision and reasons thereof by registered mail with acknowledgement of receipt.

The deletion of the Federation shall be annotated in the Authority's register.

The parties concerned may contest the deletion decision of the Authority in accordance with paragraph (4) of the preceding article by lodging the contest to the Committee stipulated for by article (50) of the Law.

²⁹This Article has been replaced as per Minister of Economy and Foreign Trade Decree 92/2000.

Article (202)

Every Federation shall be considered after its deletion in a state of liquidation.

During the period of liquidation the Federation shall retain its juridical status to the extent required for liquidation works.

The Federation management and staff shall be prohibited to continue its activities or dispose of its properties and funds.

Article (203)

Except in the case of dissolving the Federation by its extraordinary general assembly and the appointment of a liquidator, the Authority shall appoint a liquidator and determine his remuneration at the expense of the Federation and the period during which he shall effect the liquidation.

The management of the Federation shall deliver to the liquidator all documents, books, and registers of the Federation. The Bank where the Federation's funds are deposited shall not dispose any of the funds thereof except by a written authorization from the Liquidator as of the date it is notified with the deletion decision.

The Liquidator shall carry out all necessary steps for preserving the Federation's funds and rights.

Article (204)

Following complete liquidation, the liquidator shall distribute the funds among the Federation's members according to the provisions of its statute and shall notify the Authority with all the procedures followed thereby.

CHAPTER FIVE

ARBITRATION AND DISPUTES SETTLEMENT

Article (205)³⁰

Contesting the administrative decrees issued by the Minister or the Authority in connection with the Law, these Regulations, and executive decisions issued for their implementation shall be lodged to the Contesting Committee stipulated in Article 50 of the law. Where there is no special provision in the Law, the contest shall be lodged to the Committee within thirty days from the date of notifying the concerned party of the decree, or from the date of his knowledge of such a decree.

³⁰The second paragraph of this Article has been added as per Ministerial Decree 355/2001.

" If contesting the administrative decrees issued by the Authority in applying provisions of Articles 30 and 31 of the said Law, implementation of such decrees shall not start before a decision is taken regarding such contesting or lapse of contest dates stipulated for in Article 32 of the referred to Law."

Article (206)

The contest shall be lodged in one original and six copies and shall include the following information:

- 1- Name, surname, occupation and address of contestant;**
- 2- Date of the contested decree and of notifying the concerned party, or the date of his knowledge thereof;**
- 3- Subject of the contest and reasons it is lodged for, together with supporting documents; and**
- 4- Receipt indicating payment of the amount stipulated in Article 211 of these Regulations.**

Article (207)

A contesting office shall be established at the Authority and equipped with a number of employees of the Authority to receive contests and record them in a special record on the date received. The office shall provide the contestant with a copy of his contest certified with the number and date of its recording.

Article (208)³¹

"The office shall refer the contest immediately upon receipt to the Committee Chairman who shall proceed with its submission to the Committee in order to set a date for examination; this date shall be sent to the contestant by registered mail with acknowledgement receipt to be present before the committee in person, or a deputy or a representative. If the contestant is a company working in the field of securities, or the contest relates to one of these companies, the committee may, at the company's request, invite a representative of securities professional association of which the company is a member. The Committee may request clarifications and supporting documents, as it deems necessary, from the parties concerned.

The Committee shall judge the contest within sixty days from the date of lodging the case or of providing clarifications sought, as the case may be.

Judgment decisions of the Committee shall be final and enforceable.

Article (209)

³¹The first paragraph of this Article has been replaced as per Ministerial Decree 355/2001.

The contesting office shall provide the concerned party, by means of registered mail with acknowledgement receipt, with a certified copy of the Committee's decision regarding his contest, and the justifications upon which the decision is based.

Article (210)

Upon submitting application for arbitration, the applicant shall deposit at the Authority, fees and arbitration expenses.

Arbitration expenses shall be determined according to the value of each dispute as follows:

Up to L.E. 50,000	:	L.E. 2000
From L.E. 50,000 up to L.E. 100,000	:	L.E. 3000
From L.E. 100,000 up to L.E. 200,000	:	L.E. 4000
From L.E. 200,000 up to L.E. 500,000	:	L.E. 5000
From L.E. 500,000 up to L.E. 1,000,000	:	L.E. 6000
Over L.E. 1,000,000	:	L.E.10000

If the dispute, subject of arbitration, is not evaluated, arbitration expenses of L.E. 5,000 shall be payable in respect thereof.

Article (211)

Contestant of the administrative decrees issued by the Minister or the Authority in connection with the Law, these Regulations or the executive decisions issued for implementation thereof, shall deposit at the Authority an amount of five thousand Egyptian Pounds to be refunded to him in case the Committee's decision is taken in his favor and after deducting 10 % for administrative expenses.

Article 212³²

The Authority shall pay the remuneration of the Chairman of the Arbitration body at a rate of 20% of the amount levied from the applicant for arbitration and in accordance with the provisions of article 210 of these regulations, with a minimum of three thousand pounds. Each party to the arbitration shall bear the remuneration pertaining to his own arbitrator and the Authority shall bear the remuneration pertaining to the Contesting Committee at a rate of five hundred pounds for the Chairman of the Committee per each contest, and four hundred pounds for each member of the Committee. This is without prejudice to article 66 of these Regulations.

³² On Jan.13,2002 the Supreme Constitutional Court ruled that abolishment of provisions of Articles 210 and 212 of the Executive Regulations of Law 95/1992 is unconstitutional.

The Chairman of the Authority shall determine the remunerations of the staff of the Arbitration office and the Contesting Committee.

Chapter Six¹
**Provisions Regulating Portfolios Management Companies
and Brokerage Companies**

Section One
General Provisions

Article 213

In application of the provisions of sections one to five of this chapter , the word "company" wherever it is stated means "portfolio management companies and brokerage companies" based on the licensed activity for each.

Article 214

The company shall perform its licensed activities according to the law, Executive Regulations and related decrees, and conditions and regulations for licensing, and taking into consideration the commercial codes of this field and the principles of honesty, justice, equality and applying due diligence in fulfilling the clients' interests.

Article 215

The company shall set its internal procedures within one month from the date of licensing. The procedures should ensure good selection of managers, representatives and employees and verifying the conduct and experience of each in his/her designed job in the light of the conditions set by the CMA in this respect. The company should not violate any of these conditions and should notify the CMA with a copy of the procedures and incidents of managers or representatives leaving the company. Company managers mean the Chairman and executive members of the board, and the managers who perform actual management activities.

Article 216

The company should have the needed solvency to perform its activity to ensure fulfillment of its obligations, in accordance with the rules set by the CMA in this respect. Companies licensed to perform more than one activity should have an independent department for each activity and should separate completely these departments to avoid conflict of interests stated in article (234) hereunder.

Chapter Six (articles 213 through 268) has been added to the Executive Regulations by Ministerial Decree No. 39 for 1998 and has become effective as from 8-2-1998.

Section Two
Internal Regulations and Supervisory Systems

Article 217

The company shall set internal written regulations before the end of the first month from the date of receiving the license. Internal regulations shall include the company's work system, rules followed by both managers and employees. The company shall provide the CMA with a copy of its internal regulations within one week of ratifying them. The company shall be committed to amend its internal regulations in accordance with any amendment in the Law or its Executive Regulations and to notify the CMA within one week of applying the amendment.

Article 218

Internal regulations of each company should include at least the following information:

1. Documentary cycle to be followed as of receiving the client's application until execution of the transaction and notification of the client.
2. Management structure of the company showing the actual duties and management responsibilities of each manager and company employees representing the company in dealing with others.
3. Relationship between the head office of the company and the branches and the affiliate offices and the extent of activities that may be conducted by the branch.
4. System of recording correspondence between the company and clients.
5. Internal bookkeeping system.
6. Recording system of clients' complaints
7. Internal surveillance and regular review system of the company as applied to managers and employees to ensure good application of laws and decrees regulating the company's activities and internal regulations and that would result in quick discovery of violation by any of the managers or employees.
8. Errors resolving system resulting from the company's executing of transactions.
9. Dealing system with clients' orders that may fail to pay or to deliver securities or any other violation of clients' obligations and without violating Article 262 of the Executive Regulations.

The company shall notify the CMA of the officers responsible for internal surveillance in the head office as well as in the branches and who is subject to their surveillance.

Article 219

The one responsible for internal surveillance in the company shall keep a file for all clients' complaints related to the company's activities and the procedures

taken to resolve them. He shall verify that all complaints are studied within one week from the date of its submission to the company. He shall be committed to notify the CMA of any complaint that was not answered and its causes were removed within the above mentioned period.

Article 220

Those who are in charge of internal surveillance shall notify the CMA with all violations of the law or the Executive Regulations or the decrees issued implementing them or the company's regulations and of any investigation or court verdict issued against any of the company's managers and employees that is related to his work in securities or a civil dispute related to his work in this field. He shall also notify the CMA of any bankruptcy verdict, criminal penalty or misdemeanor in a crime related to honor or integrity. The notification should be within three days of his knowledge of any of the above.

Section Three **Advertisement**

Article 221

Each advertisement published by any company should be characterized with honesty and accuracy. It should include all data required for disclosure or that is considered necessary with respect to the subject of the advertisement and the nature of the target public to ensure their understanding of the advertisement and their ability to evaluate the subject matter. The company is prohibited from hiding any critical information or data in a way that can influence the clients or any of the target public decision making process or may result in misinforming or confusing them. The advertisements should not include any exaggerated or misleading statements..

Advertisement means addressing the public with information or data published or circulated through any means and at any occasion. The means could be audio or visual whether local or foreign, written or announced or transmitted by any electronic means or any other means. The public means the persons who are not previously determined and who have no previous relationship with the company, its manager, or employees.

Article 222

The company shall be cautious and accurate in conducting its activities. The company shall be prohibited from performing any of the following activities;

1. receiving any fees or returns of any kind or requesting a specific action from clients in return for services that the company announced were freely provided
2. using cautioning phrases with regard to any securities without reason, if that involves a kind of misinformation.

3. concealing any important differences when comparing different securities or performance of different companies.

Article 223

Advertisements for offerings or sale of securities or reports or researches published with respect to securities or their market or the issuing companies should include the name of the entity that prepared the advertisement or the research and the date of publication for the first time (if it was published more than once), in addition to principal financial data of the issuing company in accordance with the rules set by the CMA.

Article 224

The company shall be committed to verify the validity and accuracy of the information and data included in its advertisements and to make sure not to repeat the advertisement without verifying that information included is still valid each time the advertisement is published or announced or presented in any other way. The company shall specifically verify the prices of securities mentioned in the advertisement and indicating whether it is closing prices, or trading prices or nominal values.

Article 225

The company, and its managers or employees shall be prohibited from advertising the company's receipt or their receipt of any prize or certificate of any kind except after verifying that the provider of this prize or certificate was not paid for it and advertisement should indicate the source of prize or certificate.

In all cases, advertisement should include an explanation that the award of the prize or certificate reflects only the opinion of the provider thereof and does not ensure any financial returns.

Article 226

The company is prohibited from advertising the presence of research units or its ability to perform technical studies related to securities in case they are not actually available. If the advertisement includes any data or charts or graphs or figures or any specific information, the advertising company should disclose the source of information unless it has been prepared by the company itself.

Section Four

Company Information and the Right to Information

Article 227

The company shall, at all times, maintain books that show its financial situation, accounts, records, documents, and correspondence in accordance with the law and the applicable regulations. The company shall also send to its clients, upon

their request, its regular financial data based on the most recent authenticated financial statements.

Article 228

The company shall keep a list of all its clients and a file for each client including data stated in the following article and statement of all securities traded on his behalf and contracts signed between him and the company, as well as the correspondence between them for at least a two - year term.

The client means any natural or judicial person that the company opened an account for or contracted with for dealing in securities, whether or not it actually executed the transaction.

Article 229

Each client's file with the company should include at least the following information:

1. Client's name, age, profession, address and copy of commercial registration. If it is an Egyptian juridical person it should give legal status, and if it is a foreign juridical person an establishment document and legal status.
2. Client's address for correspondence and telephone numbers.
3. Names and titles of those who have signature rights on behalf of the client or can represent him with the company.
4. A copy of the documents that prove the client's identity or his representative of the family identification card in which the minors are registered.
5. Statement indicating if the client is another company working as portfolio manager or as a brokerage firm or whether he or she is a manager or an employee or a shareholder in one of those companies.

Article 230

The company shall maintain complete secrecy of clients information and shall not disclose any of their information or transactions to others without a previous written consent with the exception of cases that necessitates providing specific information to the Stock Exchange or supervisory entities or courts and in accordance with the laws. The company shall take necessary procedures that ensure the commitment of managers and employees to protect the secrecy of this information. In all cases, the company shall be prohibited from using this data or information to acquire any private profits for itself or to any of its other clients without receiving a previous written consent from the possessor of the information and data.

Section Five

Conflict of Interests and Use of Information

Article 231

In dealing with clients, the company shall abide by the principles of honesty, working in the clients best interest, equality among clients with similar nature and conditions in dealing with the company, avoiding all matters that entail providing favors or incentives or special information to some clients and not others whether directly or indirectly. The company shall also be prohibited from any action that may result in harming any of its clients.

Article 232

The company shall be prohibited from dealing in the client's securities through another company working in the same activity and subject to the regulations of this Chapter and that is subject to the actual authority of the same natural or juridical persons in the execution of a transaction that was ordered to the two companies or that was ordered during the suspension of the company or to conduct excessive transactions.

It is considered to be excessive when executing or inventing deals to increase brokerage commissions or any other fees or costs.

Article 233

The company while practicing its licensed securities activities, shall avoid the emergence of any conflict of interests. It shall not indulge in any activity that involves conflict except after disclosing this to its clients or the public that may be affected by this conflict in its decision making with respect to dealing in securities and after receiving a written approval from the person who has the deal in his name or account.

Article 234

Conflict of interest means all situations that may result in conflict between the company's interests or any of its managers or employees' interest and the client's interest while conducting its licensed activity. It may also mean the conflict of interest between clients that the company handles their transactions in a way that may result in favoring the interest of one client over that of another, or may affect the company's neutrality whether in conducting or refusing to conduct the work, or in providing opinion, or in behavior that results in affecting the decision of clients or the public.

Article 235

The company's shareholders, managers and employees, in case of managing or participating in the management of another company working in the same field subject to the regulations of this chapter, shall completely separate each company's

activity and ensure that no conflict of interest shall arise between the two companies or between any of them and the clients of the other company.

Article 236³³

The company shall be prohibited from dealing in securities in the name, or at the account of, its managers or employees or their relatives to the second degree or those who are their commercial partners or those whom they provide for, except after obtaining approval of the Authority to this effect.

However, if it is a brokerage firm, it may deal with any of those above mentioned through a personal account with the company and upon a written clear approval from the company's board of directors.

Provisions in the previous two paragraphs shall be applicable to portfolio management companies on condition that the managing director approves that one brokerage firm executes all transactions to individuals mentioned in paragraph one of this Article including sale and buy orders given by them.

Article 237

The company shall be prohibited from dealing in securities in the name or at the account of managers or employees in another company in the activities subject to the provisions of this Chapter except after verifying that those persons are following the conditions mentioned in the previous Article.

Article 238

The company shall be prohibited from dealing in the name or for the account of shareholders of any company subject to provisions of this Chapter except after notifying the board of directors of the company that executes the transaction.

Article 239

Shareholder means, in applying articles 235 and 238, each shareholder in the capital of any of the companies subject to provisions of this Chapter with exception of any one whose share is less than 5% of the capital and has no actual authority in management.

Article 240

The officer in charge of internal surveillance in a company shall examine sale and purchase orders in accordance with articles 236, 237 and 238, before their

³³Article 236 has been replaced as per Ministerial Decree 295/1998.

execution to ensure that they do not contain any conflict of interests. The orders shall be carried out after the execution of clients' orders on the same securities with the exception of public subscriptions cases.

The company shall keep a private register for the account of its managers and employees, showing transactions executed in their interest.

In all cases, the company shall be prohibited from executing sale or purchase orders for the account of one of its managers or employees in a marriage transaction where the counter part is one of its clients.

Article 241

The company shall notify its clients in writing of any of the following and request a written approval prior to the execution of the activity:

- ◇ Existence of a personal and direct interest for the company in marketing the security subject of the transaction.
- ◇ Involvement of the company in offering the security under consideration for subscription in the year preceding this transaction.
- ◇ That the company and the company issuing the security under consideration are subject to actual authority of the same physical or juridical persons.

Article 242

Any of the managers or employees of the company shall be prohibited from presenting gifts or grants to any individual who has a work relationship with the company with the aim of influencing the trading price of securities in any manner or with the aim of conducting or not conducting a certain activity or stating an opinion that may lead to that effect. It shall also be prohibited for any of them to present or accept gifts or grants of any kind that exceeds LE 100 or whose total value in the whole year exceeds LE 500, whether it is direct or indirect, from or to any natural or juridical person that has any interest with the company. Managers and employees in the company shall submit a regular report of gifts presented or received and their value during the period covered by the report. In all cases, any of them shall be prohibited from accepting gifts of any kind and any value from those dealing with the company if the aim is to influence the neutrality of their behavior.

Article 243

The company shall be prohibited from using any methods in its work that entails deceit and fraud especially:

- ◇ Establishing illusory accounts with the aim of conducting dealings that would not have been conducted without them.
- ◇ Conducting dealings on the account of the client or in his name without a permission or authorization or exceeding that authorization.

- ◇ Spending from the clients' money on personal activities for the company or for any of its managers or employees.
- ◇ Concealing or changing or abstinence from disclosing material facts related to dealing on securities.
- ◇ Mortgage or borrowing using the clients' personal securities as a collateral.

Article 244

The company or any of its managers or employees shall be prohibited from dealing in securities on which they have information or data that is not announced in the market or not available to all those dealing in this security, even if such information is incomplete or related to an expected transaction in these securities or any other thing of substantial influence on the securities or the issuing entities or on trading prices.

Section Six Special Rules for Portfolios Formation & Management Companies

Article 245

The company, in the context of applying the provisions of this Chapter, shall mean portfolios formation and management companies, and the provisions of which shall apply to it.

Article 246

The company shall be prohibited from promising in any advertisement it issues, specific financial returns for dealing in any security or emphasizing any of its predictions or anticipating that previous profits shall be repeated or implying any of the above.

Article 247

The company shall send at least a detailed quarterly statement of accounts to each client and a final report at the end of the contract, to permanent address as mentioned in his file or according to his instructions. The final report should include at least a list of executed transactions and the clients' holdings of securities and cash account during the period covered by the statement.

Article 248

The company shall conclude a contract with each client including the form of dealing between them and the extent of freedom the company shall have and all responsibilities and duties of each party in compliance with the law and its regulations. The company shall prepare a form of the contract with its clients and shall send a copy to the CMA. The contract shall include, in addition to the data mentioned in Article 229, the following:

- 1- The company's commitment to buy and sell securities in the name and on the account of the client.
- 2- Defining the client's investment objectives and regulations.
- 3- Defining risk extent and securities liquidity the client is willing to bear.
- 4- Defining whether the client is willing to buy foreign securities
- 5- The company's commitment to provide maximum diligence in achieving the client's objectives.
- 6- Defining the company's commission for the services provided.
- 7- Names of banks or companies in which the client's securities, liquid money for buying securities and cash resulting from the sale of securities are deposited and the money devoted for buying securities and conditions of dealing on these accounts.
- 8- Method of settling or resolving disputes that may occur between the two parties while applying the terms of the contract.

Article 249

The company is prohibited from conducting the following:

- 1- Payment of client's profits that are not a result of real transactions or exceeding the actual profits of transactions
- 2- Providing the client with a guarantee against losses resulting from dealing in securities in cases other than those allowed by the CMA.

Article 250

Without violating the central depository system, the company shall deposit the client's securities and money allocated for buying securities or money resulting from sale of securities in one of the banks in the name of the client or with one of the licensed companies for such activity. The account shall be in the name of the client alone. It is allowed to deposit it in the client's name in a pool fund while completely separating the clients' accounts from the companies' private accounts.

Article 251

The company shall be prohibited from using the client's money to finance its private transactions or spend it in any way, in the company's sake. The company shall also be prohibited from dealing between its own portfolio and that of the client whether selling or buying.

Article 252

The company may deal on its securities account, not exceeding 75% of the net shareholders equity and in accordance with latest certified budget while taking in consideration maintaining an appropriate working capital. Priority is given to execute clients' orders and realize their interests. The company shall keep a record for all executed transactions for its account. The company shall be prohibited from

executing any transaction in which the company is one party and the client is another.

Article 253

Without violating provisions of article 231, the company shall avoid buying or selling securities that it expects to be profitable or expects an increase in its prices on the account of some clients and not others, or at the account of all clients but at excessively varying rates.

Article 254

The company or any of its managers or employees shall be prohibited from conducting transactions on securities with the aim of influencing its price or depending on researches or reports that will be published on these securities.

NOTE

It should be noted that the Minister of Economy's decree no. 62 of 2001 was issued comprising regulations about "Procedures necessary to prohibit investment of illegitimate money in the Arab Republic of Egypt".

DECREE of the Minister of Economy and Foreign Trade no. 620 of 2001 amending certain provisions of the Executive Regulations of the Capital Market L 95 of 1992.

Decides

Article One

Without prejudice to regulations stipulated for in the Executive Regulations of Law 95 of 1992, brokerage firms working in securities, formation and management of securities portfolios and investment funds, should take necessary procedures to prohibit investment of any illegitimate money "Money Laundering Operations" within the Arab Republic of Egypt. These entities should particularly commit themselves to develop internal working by-laws through which they get to properly know their clients and verify their basic data; this should be done through accurate and easily accessible database.

The company should maintain complete confidentiality of data that they may obtain concerning above-mentioned money and notify the Authority of such data and of any operations which may imply suspicion of illegitimate money dealings.

Article Two

The company shall be obliged to deal with its clients through an account at a bank supervised by the Central Bank of Egypt if the amount of an operation exceeds one hundred thousand Egyptian pounds.

In all cases, dealing with clients outside the country should be made through an account with one of the banks referred to.

Section Seven
Special Provisions for Brokerage Firms
Article 255

The company, in the context of applying the provisions of this section, means brokerage firms.

Article 256*

The company shall sign a contract with each client to open an account including the nature of dealing between them and all responsibilities and duties of each party in compliance with the law and its regulations on forms specially prepared by the company for this purpose. The company shall prepare the contract according to the attached template. The contract will include, in addition to the data mentioned in article (229), the following:

1. The company's commitment to buy and sell securities in the name and on the account of the client.
2. Defining the clients' investment objectives.
3. Defining whether the client is willing to buy foreign securities.
4. The company's commitment to provide maximum diligence in executing the client's orders.
5. Defining the company's commission for services provided.
6. Defining the agreed upon method for correspondence between the two parties and in submitting the client's orders to the company.
7. Defining the client's shares custodian.
8. Defining the method of settling or resolving disputes that may occur between the two parties while applying the terms of the agreement.

Article 257

The company shall be committed to the rules and trading system set by the Stock Exchange. It shall also be committed to conduct activity in accordance with the system set by the exchange for company's membership therein.

Article 258

Without violating the provisions of articles 221 and 226, the company shall be committed when giving advice to clients on dealing in securities, to take into consideration that the recommendations are appropriate to the needs of each client and his financial status, his experience in dealing in the securities market and all his

* This article was replaced as per the Decree of the Minister of Investment # (54) \ 2004.

other circumstances based upon the information provided by the client to the company and that is included in the agreement to open an account or whatever is apparent. The company shall not provide advice to its clients to sell or buy securities unless it has researched on the security or on the market that justify the advice. In all cases, none but the employees and specialized managers in the company shall be allowed to provide this advice. The company shall provide available data on securities to whoever requests it from the clients.

Article 259

The company shall be prohibited from the following activities;

1. To deal in the client's securities in a manner that conflicts with his interests or financial status.
2. To recommend buying securities with high risk without exerting maximum diligence to verify the appropriateness of such recommendation with the client's circumstances.
3. To recommend buying securities that exceed the client's financial capability to meet his obligations.

Article 260

The company shall exert maximum diligence to get the best selling and buying prices for its clients at the time of execution and without failure to meet their orders.

Article 261

The company shall ensure that the executed transactions are in compliance with the law and all related decrees, especially with respect to the client's identity, his ownership of the securities, his capacity, his competence to dispose of the security and that dealing is on an in one piece security, in a way free of fraud or exploitation or illusionary speculations.

Article 262

The company shall not be allowed to execute sell or buy orders except after making sure of the existence of the security, subject to the order, in the seller's custody or that it is deposited in his name in the central depository, and after verifying the buyer's ability to pay the price whatever the nature of the client whether natural or juridical person. In all cases, the company shall guarantee payment of securities prices both for its clients from its private money if upon request, it became apparent that the client did not pay.

Article 263

The company shall enter buy and sell orders in the computer connected to the Stock Exchange through the prepared means, in accordance with the clients' instructions and in compliance with the law, executive regulations and applicable systems. The company's representative in the Stock Exchange shall maintain a record of the orders received from the company during the trading session. The register shall include the same information recorded in the clients orders register with the company. In all cases, the representative is not allowed to receive orders directly from clients. It shall not be allowed to execute any transaction not recorded in the clients orders register. The company may take the orders by phone in accordance with telephone recording system prepared by the company and approved by the CMA to ensure no fraud or manipulation and on that condition the client approves it in writing. In all cases, the company's advice to the client cannot replace receiving clear orders from him to buy or sell.

Article 264

The company shall complete the procedures for conducting the transaction, notify the exchange and the clearing and settlement company of the execution within the specified legal time. The company shall notify the client within 24 hours of executing the transaction. The client's notification shall include a detailed statement of what was traded in money and securities and the discounted commissions, without jeopardizing the company's responsibility to send periodical statements to the client.

Article 265

The company shall be committed to complete the procedures of delivering the securities in case of sale and completing the financial settlement of the transactions executed during the specified legal time in accordance with the systems set by settlement and central depository regulations in this respect. The company may keep the clients securities in its premises with the approval of the CMA and in compliance with the regulations and conditions set forth by the CMA.

Article 266

The company shall execute the clients orders within the limits thereof. The company shall not be allowed to go beyond these limits while selling or buying of securities. Also the company may not execute transactions at prices or quantities more or less than the client's orders.

Article 267

The company shall comply with the approved or licensed central depository regulations and shall notify the client in writing to come to receive the securities bought in his account and the company shall keep in its records copies of these notifications. The company shall also maintain the securities in a safe place until the client receives them or until he gives a sell order or until deposited with a licensed entity for this purpose and in accordance with its agreement with the client. The company shall take all necessary procedures, including insurance of the premises against robbery and fire or any other risks, to safeguard the clients' securities held in its custody until the execution of the orders or until delivering it to the client.

Article 268

The company shall not be allowed to intentionally refrain from putting an offer or bid requests for securities to move prices or to agree with any party to conduct transactions that give the impression of the availability of offers or bids for these securities.

***Chapter Seven Bond Dealers Activity**

(Bonds Dealing, Intermediation & Brokerage)

Section One General Provisions

Article 269

Bonds dealing, intermediation and brokerage activity deals with buying and selling all kinds of bonds, financial notes, treasury bills and other similar securities. It also includes underwriting on the name of the licensed company or for its own account or on the name of its clients and for their accounts. In application to the provisions of this Chapter and annex (4) which is attached to these regulations, the company licensed to practice this activity is referred to as “the company”, the securities are referred to as “bonds”.

The Authority’s Board of Directors may authorize the company to deal on securities by other means also.

¹Part seven of these regulations is added by Ministerial Decree #44 of 2000.

Section Two **Licensing and work requirements**

Article 270

A company's issued capital should not be less than L.E. 20 million provided that the paid amount upon the company's foundation should not be less than L.E. 10 million. This is in addition to the minimum capital required for the company to undertake other activities.

The company shall, at all times, maintain a net capital that is no less than L.E. five million or 15% of its total liabilities according to the standards included into annex (4) which is attached to these regulations whichever is greater. The company shall notify the CMA at the last date of every month with the net capital and total liabilities.

Article 271

The company shall adhere to the conditions and specifications included into the CMA board of directors' decree provided that they should include the headquarters specifications, internal reports to be issued, internal surveillance and financial audit rules and the qualification of the company's managers. The company shall also make a separation between bond dealing accounts, intermediation and brokerage, and any other activity the company is licensed to practice.

Article 272

The company may engage into agreements that include the provisions regulating bonds repurchase transactions after selling them and the rights and liabilities of contracting parties. Such agreements shall be executed upon exchange of documents that entitle one of the contracting parties to sell to the other party while being committed to resell to the first party at a later date.

The CMA shall develop the forms and agreements referred to provided that agreement form shall include the method of settling or solving disputes that arise between its parties. The document form shall include the type of bonds traded, maturity date and the prices agreed upon for sale and repurchase.

Section Three **Disclosure Rules** **Article 273**

The company shall disclose to its clients , in writing and before executing any transaction, if it is dealing on the bonds for its own account or for its clients. IT shall also disclose the clearing and settlement instructions in addition to the fee the company charges if the trading is for one of its clients.

Article 274

If the traded bond or its issuing entity or its underwriter has a credit rating, the company shall disclose to its clients the last credit rating for the bond before completing the transaction. The company shall explain to them that credit rating doesn't mean recommendation to sell or purchase or keep the bond and that this rating can be modified.

In case such rating is non-existent, or has been modified during a month before trading on that bond, the company shall disclose this along with the nature of amendment to its clients.

Article 275

The company may send a daily notification to the CMA of the total market value of the bonds it maintains. This notification is to be sent according to the time and method specified by the CMA and according to the form specially prepared for this purpose

The bonds market value shall be determined according to the trading price in the preceding day and if no trading takes place its price shall be determined according to the trading price of similar bonds as regards conditions and credit rating. If trading prices of similar bonds are not available, then the company shall specify the price as offered for purchase from another two companies at least.

The CMA may request the company to submit other additional reports as necessary.

Section Four **Dealing in bonds**

Article 276

The company may execute the client's orders as per the provisions specified in their orders and they may execute transactions in times other than the official trading hours of the stock exchange.

Article 277

Bonds purchase or sale order shall be given either in a written or verbal form or by any other well known mean. Provided that if the order is not written it should be confirmed in writing.

The execution of transactions shall be done on the basis of delivery versus payment.

Section Five **Company's liabilities**

Article 278

The company may not charge any fees from the sale and purchase transactions made for its own account.

Article 279

The company shall sign an agreement with each client, this agreement shall include the transactions between them and all the rights and obligations of both parties in accordance with the provisions of the law and the regulations. These agreements shall be made on the forms specially prepared by the company for this purpose. A copy of this form shall be sent to the CMA and it shall include, in addition to the data included in article 229, the following data:

- 1. Identification of the client's investment objectives.**
- 2. Name and capacity of the client's representative if he is a juridical person.**
- 3. Specify the type of disclosure required by the company as far as the credit rating of bonds is concerned.**
- 4. The name of the bank or the custodian where both parties keep their money and bonds.**
- 5. The method of communication between both parties and how the clients' orders are submitted to the company.**
- 6. The method of settling or resolving disputes that arise between both parties upon execution of the term of the agreement.**

Section Six **Final Provisions** **Article 280**

Provisions included into these Regulations concerning securities brokerage companies shall be applied to the company. The provisions of these regulations concerning securities promotion and underwriting and any other aspect not specifically referred to in this part, shall also be applied to the underwriting of bonds.

Chapter Eight^{*}

****Securities Evaluation Classification & Rating Activity**

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- Chapter Eight and articles from 281 to 288 are added by Ministerial Decree of the Minister of Economy # 586 of 2000.

**** Companies exercising securities evaluation rating activity at the time this decree is issued shall adhere and comply to its provisions within three months from the date this decree becomes effective (article three of the issuing articles of the Ministerial decree #586 of 2000).**

Article 281

In applying the provisions of this Chapter the term “company” means securities evaluation, classification and rating companies that are authorized to practice such an activity according to the provisions of the capital market law referred to and the related decrees.

Article 282

The company’s issued capital should not be less than L.E. 500,000 provided that it should be paid in full upon the company’s foundation.

Article 283

Any of the securities companies, banks, auditors or rated entities or entities whose securities are rated may not be a shareholder in the company. The company shall also avoid undertaking any activity that is in contradiction to its work and whether there is a shared benefit between the company or any of its employees with the entity being rated or the entity that issues the bond or the financial notes to be rated.

Article 284

The company shall not undertake any modification in the credit rating rules and the related rates or any of its internal surveillance rules and procedures as referred to in item 9 of article 135 of these regulations except after getting the CMA approval on the change.

Article 285

The company’s managing director and employees holding senior positions shall have proven experience in the field of securities rating or credit analysis and credit worthiness study according to the conditions established by the CMA.

The company shall notify the CMA with the organizational structure of its employees and the experience of the senior employees and the experts who work for the company.

Article 286

The credit rating certificate shall include the name of the company issuing the certificate, date of the rating, its meaning, explanation, indication of other credit ratings and comparing them with equivalent rating of other companies exercising the same activity so as to ensure complete and clear distinction of the different ratings.

Article 287

Any entity wishing to have a credit rating for itself or for the securities it issues shall submit all the data required by the company to undertake the rating provided that this data should be true, accurate and representing its financial positions.

Article 288

Issuing credit rating certificates shall be for purposes other than those stipulated in Article (7) third, item (11) and article 34 of these regulations according to the provisions of this part. If the rating is not for one of the banks then the rules of the decree issued by the Minister of Economy and Foreign Trade after consultation with the CBE governor and the CMA Chairman, shall apply.

In all cases, the company shall notify the CMA with every credit rating certificate it issues according to the provisions of this article even if the applicant refrained from using or disclosing such a certificate.

Chapter Nine³⁵

Section One

Margin Trading of Securities

Article (289)

Margin trading transactions constitute a tripartite agreement between the custodian, one or more brokerage company and one of the clients to provide necessary finance for payment of a portion of the value of securities purchased for the interest of this client.

Borrowing securities for the purpose of trading means an agreement conducted between a client (borrower) and the custodian, who shall borrow securities owned by another client (lender) on behalf of the client, for the purpose of trading and returning them in a later date upon the agreed conditions.

A Custodian may lend securities to another custodian.

Article (290)

Only custodians may deal in margin trading and securities borrowing with the purpose of trading according to the terms and procedures included in this part and without violation to the provisions included into the executive regulations of the Central Registry and Depository of Securities Law, promulgated by a decree by the Minister of Foreign Trade no. 906 of 2001.

The custodian shall file an application to the CMA to deal in either activity, supported with the following documents:

- A statement of the applicant's net capital and total liabilities as of the last business day of the month that precedes the application date on the form prepared by the Stock Exchange and approved by the Authority (CMA) duly signed by the applicant's legal representative or the Managing Director, as the case may be, along with a report by its Auditor.
- An outline of its information processing system and the existence of an electronic connection line between the applicant, CMA, SE and the

³⁵ Chapter Nine was substituted as per the Minister of Investment decree no. 192\2005. Chapter 9 and Articles 289-299 are added as per Ministerial Decree 553/2002; it is to be noted that Article 2 of the Articles included in Ministerial Decree 553/2002 stipulates that the Stock Exchange shall assume the task of regulation and surveillance on margin trading operations; it may abolish any operation that is in violation of this system and regulations implementing the same.

The Stock Exchange shall develop implementation rules for these Regulations which should particularly include : - data required for SE and information a brokerage firm should provide.

- arranging all procedures related to margin trading .

- managing risks related to margin trading activity.

These regulations shall be approved by the CMA.

Securities Central Depository and Registry Company that ensures control and monitoring, and the presence of a telephone calls recording system according to provisions of Article 263 of these Regulations

- Documents archiving System.
- Internal control and financial auditing systems and principles along with a certificate from the custodian's Auditor testifying that the accounting system applied involves full observance of the activity to be exercised.
- A list of names and experiences of the custodian's directors and staff in charge of the activity or transactions related thereto.
- A model agreement to be conducted by the activity parties as referred to in the preceding article.

The CMA will issue its decision regarding that request within two weeks of its date or date of presentation of all documents required. The CMA may exempt the applicant from submitting all or part of these documents if the applicant is a bank or branches of a foreign bank registered at the Central Bank of Egypt or if it has been previously licensed by the CMA to exercise either activity.

Article (291)

A custodian licensed to exercise either activity shall at every time maintain a net capital not less than 15 % of its total liabilities and at a minimum of LE 750,000 in line with standards specified in annex 5 to these Regulations.

The custodian shall notify CMA and the stock exchange through the electronic line of its net capital and total liabilities every day and on the last day of every month as well as whenever CMA and the stock exchange requested such information. It shall also notify them when net capital drops below levels set in the above paragraph, the reasons thereof and ways and means of tackling the situation. Notification would be confirmed in writing within two days duly signed by the legal representative or Managing Director as the case may be.

The custodian shall maintain the principles used in calculating its capital and enabling officers in CMA and the Stock Exchange to review relevant books and documents to this effect.

If his/her net capital drops to less than levels referred to, he/she is obliged to stop accepting new margin trading requests and should within 30 days, at the utmost, raise its net capital to the level required, otherwise this issue shall be presented to the CMA board to consider revoking practice of activity and take the necessary actions.

The CMA may exempt the entity from all or part of these conditions if the applicant is a bank or a branch of a foreign bank registered at the Central Bank of Egypt.

Supporting loans would not be considered or taken into account in calculating net capital of entities wishing to practice either activity, unless they meet the following conditions:

- A. Remaining maturity of the loan should not be less than 12 Gregorian months.
- B. Loan should be fully paid in cash.
- C. Loan should not have collateral from the custodian or preference except over other supporting loans.
- D. Loan payment should not lead to a drop in net capital below levels set in the previous Article.

The Custodian should provide CMA with a certificate by its Auditor verifying that the supporting loan meets those conditions.

Article (292)

A Custodian licensed to practice one of the activities referred to should:

- Exert due diligence to ensure that clients are capable of meeting obligations resulting from margin trading or securities borrowing transactions in view of their financial position, investment goals and other information that are available to him at time of contracting. It should also assure itself of financing sources available for its clients who exercise such activities. He shall also reassess the clients' position whenever he deems necessary and once every twelve months as a minimum and he shall maintain the relevant records and documents.
- Notify the Stock Exchange in a separate daily report with all the trading transactions done according to this system, such report shall include the data referred to in items 1 & 2 under "First" of article 298 and items from a, b & c of article 299 bis of these regulations.
- Notify the Central Depository and Registry Company with any margin trading or selling borrowed securities transactions at the transaction date.
- Enable the CMA and the Stock Exchange to review and have access to all the data and documents related to margin trading or borrowed securities trading and shall provide all the relevant information through the electronic line upon the request of either entity.
- Submit to the client, upon concluding the contract, a statement explaining in details the concept of margin trading or borrowing securities with the purpose of trading as the case may be, the related procedures, benefits, risks and provisions. This statement should also be sent to each client at least once a year and whenever any amendment takes place in the basic provisions included into the statement submitted to the client.
- Maintain independent books and records on the securities traded according to either activity.

Article (293)

Trading through activities of margin trading or securities borrowing with the purpose of trading shall be limited to securities that meet criteria set by Stock Exchange and approved by CMA.

The stock exchange shall issue a monthly report including the number of borrowing securities that are traded for every issuing company and its percentage to the total traded securities within a month. The CMA shall, at any time, request the mentioned statement.

Section Two

Margin Trading of Securities

Article (294)

Total amounts due to a custodian from margin trading in one security or what it maintains as collateral , should not exceed 15% of amounts available for margin trading.

The provisions of the previous paragraph do not apply to treasury bills offered as collateral.

A client's or a group of related clients' indebtedness with the custodian shall not exceed 10% of the amounts available for margin trading.

A related group means each group of clients that are liable to the actual control of the same natural persons or the same juridical persons or having an agreement of coordination at the time of voting at the companies' general assembly meeting or board meetings.

The custodian shall inform CMA, the Stock Exchange and the Depository Company of all data regarding any such group that would deal with margin trading through the firm.

The CMA may modify the percentage referred to in view of the market conditions.

Article (295)

A client willing to apply margin trading shall pay in cash a percentage not less than 50% of the price of securities purchased to his account and no less than 20% for government bonds, along with a written authorization to the custodian to run his accounts regarding margin trading securities, purchase and sales, in case the client fails to comply and according to the agreed contract.

The CMA may modify the above percentage in view of the market conditions.

A custodian or the competent company as the case may be shall notify the Securities Depository and Registry Company of any margin trading on the same day of implementing the order; to take any necessary action concerning the effects resulting from provisions in the previous paragraph before finalizing trading in those securities.

Article (296)

The custodian shall reassess securities subject to margin trading at the end of each business day according to their market value; if it deems that as a result of market value a decrease in the client's indebtedness has exceeded 60% of market value at closing price calculated on a weighted average basis, the custodian should inform the client that he should reduce that percentage through cash payment or collateral, he shall follow this procedure if the percentage reached 85% for the government bonds.

A custodian may, in the following cases, take measures to sell securities and liquefy collaterals presented by a client to bring the percentage of his indebtedness to (50%) for securities and 80% for government bonds or less:

A. If a client does not reduce his indebtedness below the percentage mentioned in the above paragraph two days after notification date or does not submit additional collaterals.

B. If his indebtedness reaches 70% of the securities market value.

The stock exchange shall take necessary measures if securities lose one or more of the conditions or parameters established by the stock exchange under the margin trading.

The Stock Exchange, as required and upon approval from the CMA, may limit the methods of reducing clients indebtedness either by cash payment or by collateral presented and assessed according to the following percentages:

- A. 100% of unconditional bank guarantee letters issued by banks and branches of foreign banks that are under the supervision of the Central Bank of Egypt.
- B. 100% of current value of Treasury Bills.
- C. 90% of the bank deposits.
- D. 70% of other securities market value acceptable to the licensed custodian provided that they meet the conditions included in Article 293 of these Regulations.

Provisions of this article are applicable when the market value of collaterals presented by a client decreases.

The CMA may modify the percentage referred to in view of the market conditions.

Article (297)

The custodian or the company should enter into a written agreement with its client regarding securities margin trading. The Agreement shall include the following:

- Definition of the type of securities the firm shall buy on behalf of its client, percentage of cash payment should not be less than 50% unless the CMA

determines other cash payment percentage, upon a recommendation by the stock exchange management.

- Amount of expenses, commissions and finance costs due to margin trading which a client should pay and duration of payment.
- Client's right to pay the rest of securities value at any time.
- Client's pledge to make cash payment or offer guarantees as and when his indebtedness in relation to market value of traded securities exceeds set level in Article 296 of these Regulations.
- Client's agreement that a custodian charges on his account its due amounts, on a daily basis.
- Client's authorization to the custodian to run his accounts, buying and selling, regarding margin trading securities or those presented as collateral, in case the client fails to comply.
- Client's agreement that CMA, SE and the custodian are allowed to review his securities account with any authority.
- A client may recover any excessive amounts resulting from collaterals he put with a custodian in case his indebtedness decreases below the agreed upon level.
- A client should agree to transfer collateral securities to the custodian who signed the contract, if the same are maintained with another custodian.
- Disputes settlement ways and means as well as channels of communication between the client and the custodian should be defined.
- A declaration from the client that he is aware of all margin trading risks.

The custodian shall inform the Authority of the agreement form, and the Authority shall enter necessary amendments thereon.

Article (298)

A custodian dealing in margin trading of securities should inform both CMA and SE with the following:

First : daily:

- 1- Amounts available for margin trading, sources and volume of purchases it executed.
- 2- Total amounts due to be paid by clients.
- 3- Total market value of collaterals presented by clients.
- 4- Clients' total due payable amounts measured in relation to total market value of collaterals.
- 5- Net capital and total liabilities.

Second: Monthly:

- 1- Value of securities and collateral letters liquefied during the month and indebtedness of clients whose guarantees have been liquefied for their sake.
- 2- Expenses, commissions and finance costs of margin trading transactions.

The custodian shall attach to the monthly report a statement from the company's legal representative or Managing Director and Financial Manager indicating that all data presented are true and correct.

The custodian, within 45 days from the end of each quarter, shall send a quarterly report covering all the preceding items to CMA and SE, along with enclosing the Auditor's report.

Section Three

Borrowing Securities with the Purpose of Trading

Article (299)

Trading of borrowing securities shall be effected according to the following conditions:

- A. Securities to be traded should be borrowed before they are sold.
- B. Selling borrowed securities should be a one unit higher, as a minimum, than the closing price at the beginning of the session or the last trading price during the session.

Securities borrowing contract should be in writing and shall include the following data:

1. The type of securities borrowed.
2. The amount paid in return for the loan contract and all the related fees and expenses charged by the custodian.
3. Contract duration
4. Provisions of the cash collateral deposited by the borrower at the custodian upon short selling provided that it should not be less than 50% of its market value before execution.
5. The custodian shall be obliged to deduct an equivalent of the financial rights and other privileges produced by the borrowed security on its maturity date from the borrower's account to the interest of the lender, unless otherwise agreed upon in the loan agreement.
6. The cases of terminating the contract and how to address the relevant consequences and the cases where the client is committed to return the borrowed securities in the same quantity and type.
7. The Custodian is committed to make a daily assessment of the relevant securities.
8. The terms and conditions of securities submitted as collateral in addition to other deposits, the relevant terms and the cases where the custodian is entitled to request additional guarantees.

Article (299) bis

Custodians licensed to practice the activity of securities borrowing for the purpose of trading shall register all the transactions of borrowing and selling securities in special records that include the following data:

- 1- Names of clients.
- 2- Trading orders and names of securities traded.
- 3- The volume of transactions done.
- 4- All commissions and expenses.

Article (299) Bis "1"

The custodian shall reassess the borrowed securities at close of business daily according to its market value. If it is figured out, as a result of a decrease in the market value of such securities, that the client's indebtedness exceeds 60% of its market value at the closing price calculated on the basis of weighed average, he shall inform the client to drop down his indebtedness percentage by cash payment and this percentage shall be 85% for government bonds.

Otherwise, the custodian shall take necessary actions to drop down the indebtedness to this limit. In all cases, the custodian shall purchase borrowing securities if the indebtedness percentage reaches 70% of its market value.

The CMA may modify the percentages referred to according to the market conditions.

^(*)Chapter Ten

Securitization

Section One

Securitization companies

Article (300)

A securitization company is a securities intermediation company whose sole activity is securitization with an issued and paid capital not less than L.E. five million when established.

^()Article (301)**

A securitization company shall be licensed in return of a fee for the CMA as per L.E. 10.000. In addition to documents required in article (135) of the Executive Regulations, the application for license shall be attached with the following:

- A. A certificate from the company's auditor establishing the availability of an accounting system and a document cycle required for the securitization process according to the rules stipulated by a CMA board of directors' decision.**
- B. An evidence of experience and efficiency, necessary for securitization, in directors and senior staff of the securitization company as per CMA board of directors' decision.**
- C. An evidence of valid commitment from an owner of financial rights portfolio to refer them to a securitization company. The commitment should be valid for the period of at least six months. The commitment agreement may include a condition that the assignment shall not be enforceable and immediate until after the underwriting of the bonds' subscription. Underwriting and promotion of securitization bonds shall be undertaken by a securitization company or under an agreement with a company that is licensed to conduct such business.**

^(*)Article (302)**

^(*) Chapter Ten was added in as per the Minister of Investment's decree no. (46) for 2004.

^(**) The article was substituted as per the Minister of Investment's decree no. 139\2006.

^(***) The article was substituted as per the Minister of Investment's decree no. 139\2006.

The ownership of any percentage of a securitization company's shares may be entitled to a custodian or any party the custodian selects or reaches an agreement with or a formulator of a connected group. This should be disclosed to the CMA when submitting an establishment application of a securitization company. It shall be prohibited to a securitization company to make an agreement about a securitization portfolio assignment with an assignor whose shareholding, whether as an individual or with a connected group, exceeds 20% of its capital.

The CMA board of directors may exempt a securitization company from this condition under certain circumstances and reasons the board takes into consideration.

A connected group is a group of persons under the actual authority of the same natural or judiciary persons or who are connected by an agreement related to the shareholding of a securitization company.

Section Two

Assignment of Securitization Portfolio and Issuance of Securitization Bonds

(*)Article (303)

A notification of issuing securitization bonds shall be presented together with the following:

1. The prospectus or the information memorandum.
2. The agreement concluded between the securitization company and the custodian.
3. Agreements of additional collaterals in case of any.
4. Initial agreement of assignment between the securitization company and the assignor.
5. The agreement of bond underwriting unless the notification and the prospectus include a prove that the assignment shall not be enforceable unless subscription is fully covered.
6. The agreement concluded between the securitization and the entity responsible for collecting the assigned rights.
7. A certificate from the auditor with the net value of the portfolio and the bases of its evaluation.
8. Cash flows expected for the securitization portfolio and the basis of its preparation. The cash flow should be authenticated from the securitization company and enclosed with a report from its auditor.
9. Documents set forth in article (7) of these Executive Regulations.
10. Other documents and data issued by a decree from the CMA board of directors.

(*)Article (304)

(*) The article was substituted as per the Minister of Investment's decree no. 139\2006.

The securitization bonds' prospectus or the information memorandum should, in addition to data related to issuing bonds stipulated in these Executive Regulations, include:

1. Name, address, paid capital and license number of both the securitization company and the underwriting promotion company, in case of holding an agreement with it, and the custodian responsible for following up the transactions related to the rights of bond holders.
2. The summary of the assignment agreement that should , at least, include the value of securitization portfolio and a detailed statement of the rights included; namely the commercial notes and any documentation of the said rights and related guarantees. The variety of these rights as of their value, due dates, geographical allocation, and rates of failure to meet commitments related to these rights and the average due dates of the portfolio as well as the basis of its evaluation shall also be included.
3. Volume of portfolio bond issues, their return rate, due dates and any other major terms of issue.
4. Credit rating of bonds, not less than the rate indicating the ability to meet commitments according to rules set by the CMA board of directors.
5. Risks that bondholders may take and procedures taken to limit such risks.
6. Underwriter of subscription in securitization bonds if any.
7. The entity that collects due sums of assigned rights shall be determined. Duties and commitments of this entity shall be defined according to its agreement with the securitization company.
8. Stating if there was a connection of any type among the securitization process and the elements of this connection if any.
9. Setting dates of payment of bondholders' dues, commissions and expenditures deducted from assigned rights and dates of deduction as well as rules of handling securitization portfolio surplus.
10. A statement from the legal consultant of the securitization transaction that, at the time of assignment agreement, the securitization portfolio is owned by the assignor and that there are not law suites or disputes on this ownership that may affect his\her right to handle it. The statement should include that the assignment agreement was prepared according to provisions of the Capital Market Law and its Executive Regulations. The statement should also stipulate that the assignment is enforceable, immediate, unconditional and transfer all the rights, payments payable upon maturity, and collaterals unless stating that this transaction shall take place as mentioned hereinafter in case of full promotion of bond subscription.

All previous data should be approved by the Chairman or managing director of the securitization company, the assignor company and the promoting and underwriting company. The data should also be approved by the auditor of the securitization

(*) The article was substituted as per the Minister of Investment's decree no. 139\2006.

company, the assignor company and the legal consultant of the securitization process, according to circumstances.

Article (305)

In case of agreement that the assignment shall not be enforceable except until fully underwriting of bonds and the underwriting is not completed until the closing date of subscription, the CMA should be notified next working day at most. Sums of money paid for subscription should be repaid within three working days of that date.

(*)Article (306)

The securitization company shall be prohibited to issue any bonds or financial notes other than securitization bonds stipulated in this chapter without the consent of the CMA.

The securitization bonds nominal value should not exceed the current value of the portfolio and its return calculated according to a deduction rate that is equal to the return rate of securitization bonds.

Article (307)

The securitization portfolio assignment is accomplished by a final agreement between the assignor and the securitization company according to a form prepared by the CMA that should approve on issuing bonds or the at end of period during which the CMA may object on issuing those bonds according to circumstances.

Article (308)

The securitization company should notify the CMA of the assignment final agreement and publish its summery on two daily morning widespread newspapers at least one of them in English within one week from the date of the agreement. The notification and the summery should include the data filled in the form of the CMA.

Section Three **Collecting Rights and Payment of Bonds**

Article (309)

The securitization company shall be committed deposit to the custodian the following within three days of the final agreement of the assignment:

- 1. An original copy of the securitization portfolio assignment agreement.**

(*) The article was substituted as per the Minister of Investment's decree no. 139\2006.

2. An original copy of the agreement between the securitization company and the assignor or with whomever an agreement was reached to collect the rights; including an instruction to deliver the collected sums to the custodian once they are collected.
3. Deals creating assigned rights.
4. Documents establishing assigned guarantees and rights, including commercial notes trusteeships, insurance and any other guarantees.
5. A statement authorizing the custodian to deliver the entity responsible for collecting the assigned rights the necessary documents for collection.
6. An original copy of the securitization bonds prospectus.

(*)Article (310)

The custodian should not use the collected rights of the securitization portfolio for any purpose other than payments of securitization bondholders' rights after deducting commissions, expenditures and fees and exceeding what was set in the prospectus or the issue terms according to circumstances.

The custodian should notify the assignor, entities guaranteeing payment if any and bondholders with anything that may hinder or delay the payments of their dues on time.

After receiving the approval of the securitization company, the custodian may invest the surplus of deposited sums in treasury bills or in deposits of banks registered in the Egyptian Central Bank. He may also assign this mission to one of the securities portfolio management companies if the prospectus of securitization bonds so allows.

The custodian should exert due diligence to perform all activities related to rights of securitization bond holders.

The agreement concluded between the securitization company and the custodian or its amendments shall not be valid until getting the approval of CMA.

Section Four
Custodian's Duties

Article (311)

The custodian should allocate an independent account for each securitization process. He should not mix, merge or combine his personal accounts with those of the securitization transactions, or between those accounts or any other accounts.

The custodian should allocate a separate account for the following securitization transactions:

1. Payment of securitization bonds.
2. Payment of due return on bonds.
3. Management of investing surplus assigned rights collected.

(*)The article was substituted as per the Minister of Investment's decree no. 139\2006.

Article (312)

Without violation to any other disclosure commitment stipulated in the Capital Market Law and its Executive Regulations, the custodian should prepare a monthly report on the securitization portfolio. He should also notify the CMA and the securitization bondholders or their representatives of this report after being approved by the auditor.

The report mentioned in the previous paragraph should include the following:

- A. Sums collected during report period.**
- B. Dues of bondholders that were paid.**
- C. Commissions and expenditures that were deducted.**
- D. Surplus of money deposited to him and fields of investing such sums and what was repaid to the portfolio assignor.**
- E. Cases of delay or reluctance to pay and related procedures.**
- F. Anything that may essentially affect the credibility of guarantees related to assigned rights.**
- G. Any changes on the agreement with the custodian or any other entity that is responsible for collecting rights and assigned dues that may not affect the bondholders' rights.**

Article (313)

The custodian shall maintain the following books, registers and accounts:

- 1. An analytical register of the debtors of assigned rights according to their due dates and the types of guarantees submitted by each of them.**
- 2. A ledger containing due sums on every debtor, the paid and the due sums on him.**
- 3. A register of the commercial notes that are due and were not collected.**
- 4. A statement of the collected sums.**
- 5. The custodian's return account of his securitization follow up activity.**

According to a written notification for the custodian for not less than a week, the representative of the securitization bondholders may ask to look at these books during official working hours.

Section Five

Securitization of Joint Stock Companies' Portfolios Other than Securitization Companies

Article (314)

Joint stock companies, other than securitization companies, willing to issue securitization bonds under the guarantee of a portfolio that is independent of its financial rights, should submit to the CMA an application attached with the following in addition to documents mentioned in article (7) of these Regulations:

- 1. A statement of the rights and guarantees included in the securitization portfolio.**
- 2. A letter of acceptance of appointing a custodian.**
- 3. A statement of the entity that shall collect assigned rights and documents.**

Securitization bonds should not be issued until license is granted from the CMA.

(*) Article (315)

Provisions of articles (303), (304), (305), (306), (307), (308), (309) and (310) shall be applied to companies referred to in article (314) of these Regulations as for securitization of securitization portfolio and dues as well as on custodian's duties and commitments mentioned in this chapter.

(*) The article was substituted as per the Minister of Investment's decree no. 139\2006.

*** Chapter Eleven**
Rules prohibiting price manipulation &
Insider Dealing
Section One
General Provisions

Article (316)

Without prejudice to obligations of companies working in the field of securities and issuing companies prescribed under the law and these regulations, the provisions of the following articles shall, subject to the nature of the activity of each entity, apply to all these companies and persons participating in the securities market whether natural persons, artificial entities, or others with relation to securities market.

Article (317)

Any condition stipulated by a company regarding documents it issues to relieve it, any of its staff, directors, board chairman, or board members of liability for violation of provisions of this part, or to extenuate such liability, shall be invalid.

Article (318)

Whosoever does not comply with the provisions of this part shall be legally held accountable and shall be subject to penalties and measures set forth in the Capital Market Law and its executive regulations, to the extent that it does not prejudice the right of who is harmed by manipulation of the price of securities, or insider dealing, to obtain redress for harm caused by the violator.

Any person shall be subject to legal liability if he knowingly causes, or assist another person to perform, a certain conduct in violation of the provisions of the previous articles herein, or participate in insider dealing.

Article (319)

The following expressions shall have the meanings indicated opposite to each one of them:

A) Price Manipulation

* Chapter Eleven was added as per the Minister of Investment decree no. 141\2006.

Any engagement in an activity, or refraining from such engagement, with the intention of affecting the prices of dealing in securities and leads to damage to all, or some of securities market participants. Price manipulation shall be subject to rule of Article 63/6 of the Law on Capital Market.

B) Material Information:

A piece, or pieces of information that have a material effect on the price of an offered or negotiable security, investment decisions of those dealing in it, or trends of dealing in the market.

A material piece of information becomes public when it is made available to the dealing/investing public at the same time and in the same manner in accordance with rules and procedures governing and regulating disclosure at the securities exchange.

C) Inside information

Insider information is any material information which has not been made public to the dealing/investing public, and which is related to the operations of a company whose securities are negotiable, or to any party or entities related to it.

D) Insider

An insider is any person who has access to information about the company, or its issued securities, by virtue of which he can benefit from it himself or on behalf of someone else whether this access to information has been done legally, or illegally, and whether he himself has accessed this information, or it has come to his knowledge through someone else in one way or another, directly or indirectly.

Using inside information is subject to Article (64) of the Law on Capital Market.

E) Insider Dealing

Any person who has benefited for himself or for another, whether directly or indirectly, as a result of carrying out transactions based on inside information or using such information. The person who benefits from this above information is considered in this case to have benefited from it according to the provisions of Article (64) of the Law.

F) Related Group

A group of securities market participants, or other persons, under the actual control of the same natural persons, or juridical persons, or having an

agreement concerning voting in the meetings of the general assembly of the security issuer or its board of directors.

Article (320)

Issuers, or parties or entities related to them, or participating with them in business, shall not publish any untrue or unverified news with the purpose of intentionally affecting the prices or securities market participants to achieve a specific purpose.

These issuers and other parties shall be obliged to ensure that the news they publish is accurate. They shall be held responsible for compensating parties suffering damage due to what has been published if it is proved that this piece of news is untruthful or inaccurate.

The legal representative of the issuer shall be responsible of providing prompt response to any queries sent to the company by CMA, or the exchange immediately after the issuer receives this query. The response must be verified and supported with documents, especially in the case of a response involving a material event.

The legal representative of the company shall be held responsible for untruthful information included in the response.

Section Two **Prohibition of Price Manipulation**

Article (321)

It is absolutely forbidden to manipulate prices of securities. In particular, it is prohibited to do any, or all of the following:

1. Exercise an influence over the market, or prices, with any dealing through carrying out transactions that do not lead to change in the actual beneficiary.
2. Carry out transactions previously agreed upon with the purpose of creating a misleading image of active trading in a certain security
3. Publish, or help to publish, misleading or unverified news
4. Publish news related to a close change in the price of a security with the purpose of affecting its prices and dealing in this security
5. The issuer participating in dealing in its own securities with the purpose of affecting their price, or in a way leading to causing damage to dealers, without prejudice to provisions regulating dealing on treasury shares.

6. Release to media any type of information, untruthful or unverified, which can affect the market, or dealers, to achieve a personal benefit, or for the benefit of a certain person or a certain entity.
7. Carry out transactions, or enter orders into the stock exchange trading systems with the purpose of creating a misleading or false appearance of active dealing in a security; or manipulate its price with the intention of facilitate its sale or purchase.
8. Participate in any agreements or practices that lead to misleading or deceiving investors, having a faked effect, or controlling the prices of some securities or the market in general.
9. Enter, severally or jointly, orders into the stock exchange trading system with the intention of creating a misleading or false appearance about the volume of activity, liquidity or price of a certain security on the market.
10. Enter, severally or jointly, orders into the stock exchange trading system regarding a certain security with the intention of affecting the price of the security, whether by making the price go up or down, or keeping it stable, to achieve illegal objectives, such as affecting the value of investments to achieve a private benefit, evade taxes, or drive the price up to a certain point agreed upon previously with another party in pursuit of a purpose in violation of the law, professional rules or practices, e.g. raising the prices of certain securities to use as collateral for credit.
11. Manipulate an order, or a group of orders, issued by a client, or a group of clients, with the purpose of moving the price of a security, or trading in the same direction of such orders prior to carrying out the same, which may generate profits as a result of illegal manipulation of the clients' orders.
12. Carry out, under false names or accounts, transactions to strike some deals, enter false orders into the stock exchange trading systems with no equivalent real sale or purchase orders, or enter orders at unjustified prices with the intention of creating a misleading appearance that does not reflect actual trading.
13. Control, or attempt to control, orders, or offers at the market, or gain, or attempt to gain a position to be able to control a security to manipulate its price, create unjustified prices, or affect the decisions of those who deal in it.
14. Release untrue or misleading information about the market with the intention of moving prices of orders and carrying out the same in a certain direction.
15. Refrain from offering or ordering securities, whether selling or buying, with the intention of affecting their prices despite existing sale or purchase orders; or agree with another party to carry out transactions that create an appearance of active offers, or orders for these securities.

Section Three

Prohibition of abusing insider information

Article (322)

An Insider shall, by virtue of their offices, or the nature of employment, be prohibited from abusing such information for their own interest, or the interest of a third party, or disclosing, directly or indirectly, such information to a third party.

Article (323)

Disclosing secrets of customers' accounts and transactions, or carrying out any thing with the purpose of causing damage to the interest of a customer or other parties shall be prohibited.

Any dealing in a security by a person who has, directly or indirectly, accessed material information related to it, and knows that such information exists but is not made public, shall be prohibited.

Insiders shall be prohibited from disclosing inside information to a third party unless the third party is vested with a legal authority empowering him to have access to such information.

Article (324)

A person is not considered to have used inside information, or benefited from such information according to the previous articles if he deals in a security and it is proved that his transaction was based solely on factors other than his having access, directly or indirectly, to inside information.