

**THE CAPITAL MARKET LAW**  
**NO. 95 FOR 1992**

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**Executive Regulations of the Capital Market Law**

THE CAPITAL MARKET LAW  
NO. 95 FOR 1992  
AND ITS  
EXECUTIVE REGULATIONS  
**Second Edition: May 1998**

PREFACE

This law, and its executive regulations, have been prepared and enacted for the purpose of developing the capital market, fairness to and protection of investors, the integrity of markets, and the encouragement of investment. The primary objective is investor protection.

The corporate sector and the securities market in Egypt, are governed by a legal framework and its respective regulatory provisions comprising the Company Law (159/1981), the Investment Law (230/1989), the Public Business Sector Law (203/1991), and the Capital Market Law (95/1992), as well as certain sections of the Banking Law (73/1992), the Insurance Law (10/1981).

All corporations established in Egypt are subject to the provisions of the Company Law (Law 159/1981). The Company Law further governs Limited Liability Companies and Partnership Limited by Shares. However, certain provisions of the Company Law shall not apply to Public Sector Companies governed by Law 97/1983, as amended, the Public Business Sector Companies governed by Law 203/1991, nor to enterprises established under the provisions of the Investment Law (Law 230/1989).

The Company Law is no longer concerned with companies that issue securities whether publicly held or closed corporation. The Investment Law 230/1989 governs the provisions applicable to investment projects in various economic sectors. It establishes guarantees, privileges, and tax exemptions, provides for the establishment of free zones and investment therein, and regulates related activities. It exempts projects established under the Law from certain provisions of the Company Law.

With the enactment of capital market law, comprehensive legal and regulatory framework should now enhance the efforts aiming at the definition and implementation of policy issues for a sustained development of an active, efficient, and transparent securities market. The law provides the Capital Market Authority (CMA), the legal authority and status necessary for the attainment of the objectives of insuring the effective execution and enforcement of securities market legislation and regulation. It provides also specific authority to regulate, monitor, execute, and enforce particular issues. The stated objectives of the CMA call for it to aim at organizing and developing the capital market, to supervise the efficient performance of its functions, and to channel capital resources required for economic development.

The securities market law requires full disclosure of information to investors, either by way of prospectus for offer and sell of securities, continuous disclosure of financial statements and reports audited according to international standards of accounting and auditing, proxy statements, and immediate disclosure of material information, favorable or adverse. The further provides for the establishment of securities financial intermediaries including mutual funds, to be organized by nationals and non-nationals on equal footing.

Barriers on market accessibility have been removed either for companies engaged in securities intermediation, or for individuals buying and selling securities for their own accounts. Foreign securities can be listed and traded on the stock exchanges, once they meet the listing requirements of such exchanges.

In this connection, no limitations on corporate securities ownerships by non-nationals accept such limitations that may be defined by the company statute.

The following text is a translation of the provisions of the Law and its executive regulations. It is understood that in the event of discrepancy between the English and Arabic text, the Arabic version of the law and the respective executive regulations shall prevail.

Dr. M. H. Fag El-NOUR  
Chairman

July 1994.

LAW No. 95 for 1992  
PROMULGATING THE LAW  
OF CAPITAL MARKET

In the Name of the people  
The President of the Republic  
The People's Assembly sanctioned the law hereto and we promulgated:

**FIRST ARTICLE**

The provisions of the law hereto shall be applicable with regard to the regulation of capital market.

The provisions of the law on Joint Stock Companies, Partnerships Limited by Shares Companies and Limited Liability Companies, promulgated by Law No. 159/1981 shall apply in such case where there is no specific provision hereunder.

**SECOND ARTICLE**

In application of the provisions of the law hereto, the "Authority" or the "Administrative body" wherever they are stated in the law hereto and its executive regulations, or in the Law NO.159/1981 and its executive regulations, shall mean "The Capital Market Authority"; The "Chairman of the Authority" shall mean the "Chairman of the Board of Directors of the Capital Market Authority", and the "Minister" shall mean the "Minister of Economy and Foreign Trade".

**THIRD ARTICLE**

Based on a proposal by the Chairman of Board of Directors of the Capital Market Authority, the Minister of Economy and Foreign Trade shall issue the executive regulations of the law hereto, within three months from its effective date.

Pending the act of issuing the executive regulations and the decrees implementing the law hereto, the provisions, rules and procedures, which are in force at the date of enactment of the law hereto, shall continue in force as much as they are not in discord with its provisions.

**FORTH ARTICLE**

With due regard to the provisions of Article 25 of the law hereto, the Law No. 161/1957 on General Regulations of the Stock Exchange shall be abrogated.

Any provision in other laws countervailing the provisions of the law hereto, shall be abrogated.

#### FIFTH ARTICLE

This law shall be published in the Official Gazette and enacted on the day following the date of publication.

This law shall be stamped with the seal of State and executed as one of its laws.

Issued at the Presidency on Zul-Hijja 21st., 1412 H. (dated June 22, 1992).

Hosni Mubarak

CAPITAL MARKET LAW  
No. 95 for 1992

CHAPTER ONE

ISSUANCE OF SECURITIES

Article (1)

The capital of the joint-stock company, and the shareholding in the partnership limited by company shares, shall be divided into nominal<sup>1</sup> shares of equal value. Companies may issue bearer shares within the limits and in accordance with the rules, procedures and conditions specified by The Executive Regulations. The bearer shares shall not have voting power.

The nominal value<sup>2</sup> of the share shall be specified by the company statute and shall not be less than Five Egyptian Pounds (LE. 5) and not more than One Thousand Pounds (LE. 1000). The companies, which are already established at the time of enactment of this law, shall not be governed by such a provision.

The share shall not be divisible.

In case of capital increase, the company may issue the new shares with a different value than previous issues. The new shares shall have the same rights and obligations of the previous issues.

The Executive Regulations shall stipulate such information, which the shares must include, and specify the manner of replacing lost or damaged shares and what may ensue to these shares when the statute of the company is amended.

The Executive Regulations shall stipulate the rules governing the offering of shares for public subscription.

Article (2)

Every company before issuing securities should notify the Authority. If the Authority does not object within three weeks, the company may proceed with the issuing arrangements. This is without prejudice to any other provision of this law.

The Executive Regulations shall define the information contents of the notification and the documents to be attached thereto.

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<sup>1</sup> Registered Shares - in owner's name.

<sup>2</sup> Par Value

### Article (3)

The value of shares, which are issued for payment in kind, or in case of merger, should be equal to the value of the in-kind payment, or the merged assets, as defined by the relevant valuation committee<sup>2</sup>. The proponents to this valuation shall have the right to contest to the Contesting Committee stipulated in Chapter Five of this Law and subject to the rules and procedures stipulated in the Executive Regulations.

The proponent to the in-kind payment may, however, pay the difference in cash or he may withdraw.

In all cases, issuance of such shares shall not be permitted until the date of contest has elapsed, or the contest has been ruled.

### Article (4)

No offer of securities by any company, including Public Business Sector Companies<sup>3</sup>, and Public Sector Companies<sup>4</sup>, shall be made for public subscription without a prospectus to be filed with and certified by the Authority, and publishing in two widely circulated daily morning newspapers, one of which at least should be an Arabic newspaper.

The prospectus should be prepared according to the forms provided by the Authority.

### Article (5)

The prospectus of a company at incorporation should disclose the following information: -

1. Purpose and duration of the company.
2. Issued and paid up capital of the company.
3. Characteristics of the shares being offered and the terms of offer.
4. Names of the founders, the capital subscribed by each and the payment in kind, if any.
5. The company's plan for the use of proceeds of sale and its expected results.
6. Places where the certified prospectus could be obtained.
7. Any other information as defined by the Executive Regulations.

Other types of prospectus should, in addition to the information stipulated in the preceding paragraph, disclose the following information:

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<sup>1</sup> Specified by Company Law 159/1981

<sup>2</sup> Governed by Law 203/1991

<sup>3</sup> Governed by Law 97/1983.

1. Business history of the company.
2. Names of the board members, directors and responsible officers and their experiences.
3. Name and ownership percentage of each shareholder of nominal shares who owns more than five percent of the company's shares.
4. A brief of audited financial statements of the last three years, or for the period from the date of company incorporation whichever is less; prepared in accordance with the disclosure rules stipulated in the Executive Regulations and using the forms provided by the Authority.

#### Article (6)

Every company offering securities for public subscription is required to provide the Authority with its semi-annual activity and progress reports, disclosing data and information revealing its actual financial position.

The company's balance sheet and other financial statements should be prepared in accordance with the accounting standards and auditing principles as specified, or referred to, by the Executive Regulations.

The company should notify the Authority a month prior to the general assembly meeting of its balance sheet and other financial statements as well as reports of the board of directors and that of company's auditor.

The Authority may examine the aforementioned documents, or entrust other specialized agencies to carry out such an examination. It shall notify the company with its remarks accordingly specifying necessary amendments to these documents. If the company does not comply with such a notification, the Authority shall publish its remarks and required amendments at the expense of the company and in accordance with the procedure stipulated in the following paragraph.

The company shall publish an adequate summary of its semi- annual reports and annual financial statements in two daily morning and widely circulated newspapers, one of which at least is an Arabic newspaper.

Every company should disclose immediately any material information which would affect its business or its financial position and publish an adequate summary of this information in two daily morning and widely circulated newspapers, one of which at least is an Arabic newspaper.

#### Article (7)

The company and its auditors shall provide the Authority with the information and documentation it may require verifying the contents of the prospectus, the periodic reports and the financial statements.

#### Article (8)

Any shareholder who wishes to acquire more than ten percent of the nominal shares of any company offering its shares for public subscription shall notify the company at least two weeks before the transaction.

The company shall inform every shareholder, who owns no less than one percent of its shares, of this intention within one week of receiving the notification.

Violation of the provision of paragraph one of this article shall result in the cancellation of the transaction. This is without prejudice to the questioning of the violator of this provision.

The provisions of the preceding paragraphs shall apply in case a board member, or any of the employees of the company wishes to acquire more than five percent of the nominal shares of the company.

The stipulated procedure in this article should be followed before any transaction results in the increase of the ownership percentages indicated in paragraphs one and four.

The Executive Regulations shall stipulate the rules governing such transactions and the procedures governing the notification and announcement processes.

#### Article (9)

A shareholder cannot represent in the general assembly, by way of proxy, a number of votes more than the limit stipulated in the Executive Regulations.

#### Article (10)

The Board of the Authority, upon a petition on substantive reasons by a number of shareholders who own no less than five percent of the company shares, may suspend, after verification, the decisions of the general assembly of the company that are taken unfairly in favor of a given group of shareholders, or causing harm to them, or unfairly bringing about a benefit to the members of the board of directors or others.

The concerned shareholders should appeal to the arbitration council, which is defined in chapter five of this law, to request the nullification of the decisions of the general assembly, within 15 days from the date of the suspension decision. In case this action is not taken within such a period, the suspension decision shall be nullified.

#### Article (11)

Without prejudice to the tax exemptions set forth for shares of companies listed on the stock exchanges at the date of enactment of this law, the shares on the list which is specified in item A of Article 16 of this law shall be exempted from stamp duties and the dividends of these shares shall be also exempted from the general income tax.

Capital gains shall be subject to a two percent tax, to be paid by the seller. The collection of this tax shall be governed by regulations to be issued by the Minister of Finance in agreement with the Minister of Economy.<sup>5</sup>

#### Article (12)

Issuance of bonds, financial notes and other securities<sup>6</sup>, whether nominal or bearer, shall be subject to the approval of the company's general assembly and according to the rules and procedures stipulated by the Executive Regulations. The general assembly approval should include the return on issued bonds, financial notes and other securities, as well as the basis of calculating that return, regardless of the limits stipulated in any other law.

The offering of bonds, financial notes and other securities to the public will be subject to approval by the Authority.

#### Article (13)

Holders of the same issue of bonds, financial notes and other securities, may form an association to protect the common interest of its members, and shall have a legal representative from amongst its members, to be selected and dismissed according to the provisions and rules set by the Executive Regulations. He must neither have direct or indirect relations with to the company, nor a conflicting interest with the members of the association.

The association representative shall act to protect the common interest of the association versus the company and others as well as represent the association before the courts within the duties assigned to him by the association in a valid meeting.

The Authority should be notified of the formation of such an association and the name of its representative, as well as receive copies of its resolutions.

The Executive Regulations shall stipulate the rules and procedures regarding convening the association's meetings, who is vested to convene the meeting, the venue and

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<sup>1</sup> This paragraph of the Article has been cancelled by Law No. 89 issued on 30 June 1996; therefore no capital gains tax is levied.

<sup>2</sup> Other than equity.

the voting process, as well as the relation between the association and the company as well as with the Authority.

#### Article (14)

Without prejudice to the tax exemptions set forth for bonds and financial notes issued by companies listed on the stock exchange, at the date this law is enacted; the bonds, financial notes, and other similar securities -irrespective of the issuing entity - which are listed on the stock exchange list specified by item (A) of Article 16 of this law, shall be exempted from stamp duties. Returns on such securities shall be also exempted from movable capital tax and the general income tax.

Capital gains of any of these securities shall be subject to a two percent tax to be paid by the seller. The collection of such a tax shall be governed by regulations to be issued by the Minister of Finance in agreement with the Minister of Economy.<sup>7</sup>

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<sup>7</sup> This paragraph of the Article has been cancelled by Law No. 89 issued on 30 June 1996; therefore no capital gains tax is levied.

CHAPTER TWO  
STOCK EXCHANGES

Article (15)

Securities may be listed and traded in a market place called the Stock Exchange.

No securities shall be listed on more than one stock exchange, with the exception of Cairo and Alexandria Stock Exchanges which are established at the date of enactment of this law where the security shall be listed on both with one listing fee to be divided between the two stock exchanges.

Article (16)

Listing of securities on the stock exchange shall be made upon the request of the issuer. Listing and de-listing of securities on the stock exchange shall be decided upon by the stock exchange, and according to the conditions set by the Board of the Authority. Listing shall be in two types of lists:

A. List (A): for the listing of the following securities:

1. Shares of public subscription companies which meet the following conditions:
  - a) The nominal shares offered to the public shall not be less than 30% of the total company shares.
  - b) The subscribers to the offered shares should not be less than 150 subscribers, even if they are non-Egyptians.

In case the trading of company shares results in the reduction of the number of shareholders to less than 100, and for more than three consecutive or separated months during the fiscal year of the company, the shares shall be considered de-listed by law and transferred to list B of the stock exchange.

1. Bonds, financial notes, and other securities offered to the public by joint stock and by limited partnership companies, provided that they fulfill the conditions stated in paragraphs (a) and (b) above.
2. The securities issued by the Government and offered to the public.
3. Shares and other securities of the Public Sector Companies, and the Public Business Sector Companies.

B. List (B): on which the following securities shall be listed:

1. Shares and the other securities that do not meet with the listing conditions of list (A).
2. Foreign securities.

Article (17)

Securities shall not be traded outside the stock exchange on which they are listed, otherwise trading shall be unlawful.

Transactions of unlisted securities should be announced in the stock exchange according to the rules specified by the Authority's Board of Directors.

The stock exchange shall provide the Authority with the information and the periodic reports as specified by the Executive Regulations.

Article (18)

Only licensed companies shall carry out transactions of securities, which are listed on the stock exchange, otherwise trading shall be unlawful. Such companies have to guarantee the transaction. The Executive Regulations shall define the activities that these companies are prohibited to carry out.

Article (19)

The stock exchange shall maintain a registry of all securities intermediary companies that operate therein. The fee for such registration shall be Ten Thousand Egyptian Pounds (LE.10000), and an annual membership fee equal to one percent (1%) of the company's capital and shall not exceed Five Thousand Egyptian Pounds (LE.5000).

Article (20)

The Executive Regulations shall stipulate the rules and procedures governing the trading operations, clearance and settlement, and the publishing of trading information.

Article (21)

The chairman of stock exchange may suspend trading offers and bids aiming at price manipulation.

He may revoke transactions which violate the laws, its executive regulations and decrees related to their implementation, or which have been carried out with manipulated prices.

He may also suspend the trading of a given security in case its continuing transactions causes harm to the market or to participants in the market.

The Chairman of the Authority may take any of the preceding actions at due time.

#### Article (22)

In case of emergency, the Chairman of the Authority may decide to assign maximum and minimum levels of trading prices, according to the closing prices of the day preceding his decision. These assigned prices shall be imposed on all stock exchanges.

The Minister should be informed of such a decision immediately and he may suspend the decision and determine how prices are assigned, and measures to control transactions in the stock exchanges.

The Minister may, on his accord, decide on the necessary measures to be taken in the forgoing circumstances.

#### Article (23)

A special insurance fund, with a judicial entity, shall be established, to insure the securities investors against the non-commercial risks emanating from the activities of the intermediary companies.

This fund shall be established pursuant to a decision by the Prime Minister, and upon to a proposal by the Authority's Board to be presented by the Minister.

The decree establishing the fund shall define the management system of such a fund, its relation to the member companies, contribution of each to its resources, the rules governing the investment and use of these resources, the type of risks to be insured by the fund, and the basis of compensations thereof.

#### Article (24)

Upon a proposal by the Board of the Authority, the Minister shall define the brokerage commission system, and the maximum limits of the stock exchange operations fees.

He shall also specify the listing fees of securities on the stock exchange, which should not exceed Five Thousand pounds (LE.5000) annually, for the listing of every issue on the list specified by item (A) of Article 16 of this law, and Three Thousand Pounds (LE.3000) annually, for the listing of every issue on the list specified by item (B) of the same Article.

Listing of the securities issued by the government shall not be subject to these fees.

#### Article (25)

The existing stock exchanges in Cairo and Alexandria shall continue to operate with their present judicial status, as specified at the date of enactment of this law. The rules governing their administration, and their financial affairs, shall be subject to a Presidential Decree.

Until such a decree is issued, the prevailing administrative and financial systems being applied in the two stock exchanges at the date indicated in the preceding paragraph shall remain applicable.

#### Article (26)

Upon the proposal of the Board of the Authority, the Minister may approve the establishment of stock exchanges, having private judicial status, and in which one or more types of securities may be listed and traded. The Executive Regulations shall stipulate the rules governing the organization of such exchanges, and the trading operations therein.

## CHAPTER THREE

### SECURITIES INTERMEDIATION COMPANIES

#### SECTION ONE

#### General Provisions

##### Article (27)

The provisions of this chapter shall be applicable to all securities intermediation companies, being the companies that are engaged in one or more of the activities, which include<sup>8</sup> the following:

- Underwriting and promotion of securities
- Establishing companies which issue securities, or sharing their capital increase
- Venture capital
- Clearance and settlement
- Formation and management of portfolios, and formation of investment funds (mutual funds)
- Brokerage in securities

The Minister, upon approval by the Board of the Authority, may include other activities related to securities intermediation.

Applications for the incorporation of these companies shall be submitted to the Authority. The Executive Regulations shall stipulate the rules and procedures governing their establishment, and the rules governing their business, and the practices pertaining to such activities.

##### Article (28)

The activities specified in the previous article shall not be carried out without the Authority's Licensing and Registration in the registry maintained by the Authority for this purpose.

The Authority shall issue its acceptance or refusal decision within a maximum of 60 days, starting from the date of receiving full documentation. In case the application is

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<sup>8</sup> These activities are not limited to the listed ones.

refused, the decision must give reasons of refusal. Contesting such a decision should be made to the Contesting Committee specified in chapter five of this law.

The Executive Regulations shall stipulate the licensing rules and procedures, and the licensing fees shall not exceed Ten Thousand Pounds (LE.10,000).

The Authority Board of Directors shall establish the Licensing Format and Registry Data.

The Chairman of Authority may suspend any of the activities, which are governed by the provisions of this law, if they are carried out without a license. Such a decision may include the closure of the place through administrative measures, at which such activities are carried out.

#### Article (29)

For licensing purposes, and in accordance with the preceding article, the following conditions are to be met:

2. The application should be made by joint-stock, or partnership limited by company shares.
3. Such companies are established for one or more of the purposes described in article 27 of this law.
4. The issued capital of the company and its paid-up capital at incorporation shall not be less than the minimum amount specified by the Executive Regulations and subject to the type and purpose of the company.
5. Managers of such companies should have the experience and the technical qualifications required to conduct the business as specified by The Authority Board of Directors in this respect;
6. Payment of an insurance amount to be specified by the Authority Board of Director, including the rules and procedures governing its use, replenishment, deduction there from the management of its proceeds and the reimbursement thereof.
7. Any of the founders, managers, and board members of the company should not have been convicted, during the past five years prior to the license request, in any misdemeanor or felony related to honor or integrity, or in any of the crimes specified by the provisions of company and commercial laws, and in adjudication of bankruptcy, unless such a person has been rehabilitated.

#### Article (30)

Activities of the company may be suspended in case of violating the provisions of this Law, its Executive Regulations, and the executive decisions of The Board of Authority in implementation of the law, and in case the company loses any of the license conditions and does not remove the causes of such violation after being notified, or fulfilling all licensing conditions within the time limit and terms, defined by the Chairman of the Authority.

A relevant decree should be issued by the Chairman of the Authority, specifying the reasons of suspension, limiting the suspension to a period not to exceed thirty days, and specifying the measures to be taken during the suspension period. The company shall be notified in writing of such a decision either by hand or by registered mail with an acknowledge receipt. The decision shall also be published in two daily and widely circulated newspapers at the expense of the company.

If the company does not remove such causes within the time limit indicated, the Chairman shall submit the case to the Authority's Board for the revocation of the company's license.

#### Article (31)

The Authority's Board of Directors may take any of the following measures in case of an emerging danger affecting the stability of the securities market, or the company's shareholders interest, or the interest of the people who are dealing with such a company:

- Give an admonition to the company.
- Prevent the company from performing part or all of its licensed activities.
- The company's chairman is called upon to convene a board meeting at the premises of the Authority to look into the violations made by the company of law, and to take necessary measures to remove it. One or more officials representing the Authority should attend the meeting.
- Appointing an observer on the board of the company for a period to be specified by the Authority's Board, and he shall take part in the discussions of the board and record his opinion on the decisions taken.
- Dissolve the board of the company and appoint commissioner to manage the company temporarily until a new board is appointed in accordance with the governing laws in this respect.

- Obligate the infringing company to increase the amount of insurance paid.

#### Article (32)

Contesting the decisions stipulated in the previous articles, should be made to the contesting committee which is established by chapter five of this Law, within 15 days from the date of notifying the concerned party.

An appeal to cancel such decisions cannot be considered before contesting these decisions along the lines of preceding article.

#### Article (33)

No company is allowed to discontinue its activities or suspend its operations without prior approval from the Authority's Board which shall insure that the company has cleared its liabilities vis-à-vis others, and in accordance with the rules and procedures stipulated by the Board.

#### Article (34)

Every person who carries out any of the activities specified in article (27) at the date of enactment of this Law should comply with the provisions of the Law and its executive decisions within six months from the date of promulgating The Executive Regulations.

The Authority's Board of Directors may extend this period for another six months.

### Section Two

#### Investment Funds

#### Article (35)

Investment Funds could be established with the aim of investing the savings in securities, within the limits and in accordance with the rules stipulated by the Executive Regulations.

The Authority Board may license the Investment Fund to invest in other forms of movable capital, or other investment avenues, in accordance with the rules and conditions stipulated by the Executive Regulations.

The Investment Fund should be incorporated as a joint-stock company, the capital of which should be paid in cash. The majority of the Fund's board members should not be from its

investors, or from those who are affiliated to the Fund, or those who are associated with it, or beneficiaries of such Fund.

The Fund should contract the management of its activities to a specialized entity, in accordance with the rules set by the Executive Regulations.

#### Article (36)

The statute of the Investment Fund should specify the ratio between its paid-in capital and the investor's subscription, which shall not exceed the ratio specified by the Executive Regulations.

The Fund shall issue securities in the form of Investment Certificates, holders of which shall be sharing the Fund's investment returns.

Subscription in these certificates shall be made through one of the banks to be authorized by the Minister for this purpose.

The Board of the Authority shall specify the procedures of issuing these certificates, redemption of their value, the data it should contain therein, and the rules governing its listing and trading on the stock exchange.

#### Article (37)

The Fund, when offering Investment Certificates for public subscription, should provide a prospectus including the following additional information:

- The investment policies.
- The dividends distribution manner and how the capital gains are being dealt with.
- Name and business history of the entity proposed to manage the Fund's investment.
- Method of periodical valuation of the Fund's assets and the procedure of redeeming the investment certificates.

#### Article (38)

All the securities held by the Fund shall be deposited in one of the banks that are under the supervision of the Central Bank of Egypt. Such a custodian bank shall not own or hold shares in the company of the Fund, or the company that is managing its investments.

The Fund shall provide the Authority with a statement identifying such securities, on the Form prepared by the Authority's Board, and verified by the custodian bank.

#### Article (39)

The Chairman of the Authority should be notified of the decisions of appointing the board members and the directors of the Fund, together with all other related information within thirty days from the date of taking such decisions. The notification should be made on the relevant format prepared by the Authority.

The Authority's Board, in order to protect the Fund's investors, may decide to exclude any of the Fund's board members, or its directors by way of a decree specifying the reasons of such an action.

Concerned parties may contest such a decision to the contesting committee specified in chapter five of this law, within 60 days from the date of notifying them of the decision.

#### Article (40)

The Fund shall be audited by two auditors who shall be chosen from those registered in a special registry maintained by the Authority, and prepared in consultation between the Authority and the Central Auditing Organization. A single auditor cannot audit more than two Funds at the same time. The provisions of Article 6 of this law shall govern the Investment Fund even if it is not offering its securities for public subscription.

#### Article (41)

Banks and Insurance Companies, after being licensed by the Authority, and in agreement with the Central Bank and the Egyptian Authority for Insurance Control, as the case may be, may carry out the activities of Investment Funds. The Executive Regulations shall stipulate the licensing procedures and the rules and terms governing the conduct of such business as well as its supervision by the Authority.

## CHAPTER FOUR

### CAPITAL MARKET AUTHORITY

#### Article (42)

The Capital Market Authority is a public authority having a judicial status, responsible to the Minister of Economy and Foreign Trade, with its head office in the city of Cairo. The Authority may establish branches and offices in and outside the country by proposal from its Board Directors and approval of the Minister.

#### Article (43)

The Authority, in addition to other duties assigned to it by any other legislation, shall be responsible for the implementation of this law and its Executive Regulations, and shall take the necessary measures to achieve its objectives, in particular:

- Regulate and develop the capital market. The Authority should be consulted in decisions and legislative proposals related to the capital market.
- Organize and supervise training programs for persons working, or willing to work in the capital market.
- Supervise the provision and publication of adequate information and data on the capital market, and ensure the accuracy of such information and data.
- Control the capital market to ensure that transactions in securities are carried out on sound basis and are not defected by any fraud, swindle, deception, exploitation, manipulation or speculative practices.
- Take necessary measures to monitor the implementation of this law and its executive decisions.

#### Article (44)

The Board of Directors is the authority responsible for conducting the Authority's affairs. Decisions of the Board in this respect are final. It may adopt such decisions as may deem necessary to achieve the objectives for which the Authority has been established, and in particular shall:

- Formulate the policy guidelines for conducting the Authority's duties, and related plans and programs.

- Specify supervisory and inspection rules over companies governed by the provisions of this law.
- Determine fees to be charged for the services provided by the Authority.
- Define the rules and regulations governing the use of experts and the seeking of consultancy services that would assist the Authority to perform its functions.
- Approve the annual budget of the Authority.

The Board shall be assigned, in managing the Authority, the responsibilities which are specified by law 73 of 1976.

The Board may delegate to one or more of its members, the authorization to carry out a specific task.

#### Article (45)

The Board of Directors shall be formed of the Chairman of the Authority as President, The Deputy Chairman as Vice President, The Deputy Governor of the Central Bank as Member, and four experienced members to be appointed for two renewable years. The Prime Minister upon the suggestion of the Minister shall determine their remunerations.

The Chairman and Deputy Chairman of the Authority shall be appointed and their remuneration determined by a Presidential decree for three years renewable for further terms.

#### Article (46)

The chairman of the Authority shall be responsible for the management of the Authority, and shall represent it before juridical bodies and other parties, and he may delegate some of his responsibilities to one or more of the senior managers.

#### Article (47)

The financial resources of the Authority shall be made up of:

1. Appropriations allocated by the State.
2. Fees levied by the Authority pursuant to the provisions of this law.
3. Charges for services provided by the Authority.
4. Fines stated by the provisions of this law.

5. National and international loans and grants as approved by the Board, and authorized by the authorities concerned.

#### Article (48)

The Authority shall have an independent budget, and its fiscal year will begin and end as that of the state's fiscal year. The Authority shall open a special bank account in which it shall deposit the proceeds of charges of fines, fees, services fees and other revenues. The balance of such account shall be carried forward to the following year. The Authority's Financial Regulations shall set the rules governing the use of such an account, provided that what is used of the proceeds of such account shall be reflected in the revenues and expenses of the Authority's budget and financial statement.

#### Article (49)

The staff of the Authority who shall be named by a decree by the Minister of Justice in agreement with the Minister shall be vested with judicial powers in order to prove the actions that are committed in violation of this law, its Executive Regulations and executive decrees. In pursuance of their assignment they shall have access to the registers, books, documents and information in the company's office, the stock exchange and other offices where these documents may exist. Executives in charge of management of such entities shall provide them with statements, abstracts and copies of documents as they may require.

## CHAPTER FIVE

### SETTLEMENT OF DISPUTES

#### Article (50)

By a decision of the Minister, a contesting committee shall be formed and headed by a deputy chairman of the state council including membership of two counselors from the state council to be chosen by its chairman, one senior official of the Authority to be chosen by its chairman and an expert to be chosen by the Minister.

#### Article (51)

The contesting committee specified in the preceding article, shall be responsible for the examination of complaints lodged by concerned parties against administrative decisions taken by the Minister or the Authority in pursuance to the provisions of this Law, its Executive Regulations and the related executive decrees.

Unless otherwise specified by the provisions of this law, the time for administrative contest shall be within thirty days from the date of notification or knowledge of it.

The Executive Regulations shall specify the contesting procedure. The decision of the committee shall be final and enforceable. Appeals to the Court to revoke administrative decisions cannot be made before it is contested.

#### Article (52)

All disputes arising from the implementation of this law in connection with dealings in securities shall be only adjudicated by means of arbitration.

The Arbitration Council shall be formed by a decree by the Minister of Justice, and shall be presided by a deputy chairman of the Courts of Appeal. Members shall be two arbitrators, one for each party of the dispute. If there are several parties in the dispute, they will have to choose one arbitrator.

Appeals to review the decisions of such a council shall be made to the competent Court of Appeal.

In all cases, decisions of the Arbitration Council shall be final and enforceable, unless otherwise suspended by the court of appeal.

#### Article (53)

The chairman of the Arbitration Council shall, within ten days from the date the disputers having appointed their arbitrators, set the date and place for the session. The office

of arbitration shall notify the disputers of the date and the place at least one week beforehand.

#### Article (54)

The arbitration office shall use wireless and express registered mail as means of communications with the parties concerned.

#### Article (55)

The Arbitration Council shall examine the disputed case as soon as possible without being restricted by the regulations of the Civil and Commercial Procedure law except where it relates to the guarantees and basic principles of litigation and should conclude its decisions not exceeding 30 days.

#### Article (56)

If a party to the dispute fails to appear before the Arbitration Council after being advised of the time and the place of the session, the council of arbitration may give judgment on the case in absentia.

#### Article (57)

The application for arbitration should indicate the names of the disputers, their legal counselors, name of the arbitrator on their behalf, the subject of dispute and requests of the plaintiff. Supporting documents should be attached to the request together with the receipt of payment of the arbitration fees.

#### Article (58)

An Arbitration Office shall be established at the Authority, with the responsibility of receiving and registering dispute applications. The Office is to notify, within one week from the date of receiving the application, the other party by sending a copy of the application so that they may appoint an arbitrator within two weeks from the date of receipt. If such a period elapsed without notifying the office of the name, capacity and address of their appointed arbitrator, the Minister of Justice shall appoint an arbitrator on their behalf.

#### Article (59)

The arbitration fees shall be governed by the rules for judicial fees as per the civil articles, at a maximum of LE.100,000 (one hundred thousand).

#### Article (60)

The decision of the Arbitration Council shall be taken by majority votes.

The decision should be made in writing and should particularly include a brief of the statements of all the contesting parties and their documentation, reasons for arbitration judgment, text thereof, and the date and place of promulgation. The chairman and the secretary of the Arbitration Council shall sign the judgment, and have it filed at the Arbitration Office which shall notify the contesting parties of such filing.

The Arbitration Office shall provide the party to which the arbitration judgment was in its favor, with a copy of the judgment, with an attachment stating the wording for enforcement.

#### Article (61)

All disputes relating to the enforcement of judgment should be brought in front of the Arbitration Council that promulgated it.

#### Article (62)

The Executive Regulations shall stipulate the rules governing the remuneration and expenses of arbitrators and the Contesting Committee members.

## CHAPTER SIX

### PENALTIES

#### Article (63)

Without prejudice to any severer penalty stipulated in any other law; imprisonment for a term not exceeding five years, and/or a fine of not less than Fifty Thousand Pounds (LE.50000), and not exceeding One Hundred Thousand Pounds (LE.100000); shall be applied in the following cases:

- 1) Any person engaging in activities governed by the provisions of this law, without being licensed.
  1. Any person offering and selling securities in violation of this law.
  2. Any person stating intentionally material misstatements in a prospectus, incorporation documents, licensing applications, or in any other reports, documents, and company public announcements, or using information in violation of the provisions of this law, or altering such information after being certified by the Authority or presented to it.
  3. Any person who intentionally publishes material misstatements on securities being subscribed for through an agency that is licensed to receive public subscriptions.
  4. Any person committing forgery of company records, stating intentionally material misstatements or untrue facts in the company records, or submitted misstated reports to the general assembly.
  5. Any person quoting artificial price of a security, or conducting a false transaction, or attempted by fraud to affect market prices.
  6. Any person who lists securities on the stock exchange in violation of this law.

#### Article (64)

Without prejudice to any severer penalty stipulated in any other law; imprisonment for a term not less than two years, and a fine of not less than Twenty Thousand Pounds (LE.20,000), and not exceeding Fifty Thousand Pounds (LE.50,000), or either penalty, shall be inflicted on any person who divulges a secret, which is in his possession by virtue of his duties under government by the provisions of this law, or has benefited, he, his spouse and his children, from insider information of his work, or who used material misstatement, or omitted any material information in reports, submitted by him, to the extent that it affects the results contained in such reports.

#### Article (65)

Without prejudice to any severer penalty stipulated in any other law, any person who violates the provisions of articles 6, 7, 17, 33, and 39, and the second paragraph of article 49 of this law, shall be liable to penalties of imprisonment, and a fine of not less than Twenty Thousand Pounds (LE.20,000), and not exceeding Fifty Thousand Pounds (LE.50,000), or by either penalty.

#### Article (66)

Any body that disposes of securities contrary to the provisions of this law shall be liable to a fine not less than Five Thousand Pounds (LE.5,000) and not to exceed Ten Thousand Pounds (LE.10,000).

The manager of the company who contravenes the provisions of Article 8 of this law shall be liable to the same penalty stipulated in the preceding paragraph.

#### Article (67)

Without prejudice to any severer penalty stipulated in any other law, whoever contravenes any of the rules stipulated in the Executive Regulations of this law shall be liable to a fine not less than Two Thousand Pounds (LE.2,000) and not to exceed Ten Thousand Pounds (LE.10,000).

#### Article (68)

The responsible manager of the company shall be liable to the penalties that are specified in the provisions of this law for violations committed.

The funds of the company shall, in all cases, warrant the payment of the fines ruled.

#### Article (69)

In addition to the penalties covered by preceding articles, the penalty of depriving one from exercising the profession, or conducting the business about which the crime was committed, may be inflicted for a period not to exceed three years.

Such a penalty shall be inflicted in case of repetition.

## Chapter Seven

### ACCESS TO DOCUMENTS, AND FEES

#### Article (70)<sup>9</sup>

Every concerned person shall have the right to submit an application to the Authority to have access to documents, registers, reports and minutes relating to the company, and obtain information, or authenticated copies thereof, against payment of fees amounting to One Hundred Pounds (LE.100) for each document, or a statement in case of viewing, and Two Hundred Pounds (LE.200) for each copy thereof.

#### Article (71)

Application for access to, or obtaining a copy of, documents or statements, shall be submitted to the Authority, together with the receipt of payment of the stipulated fees. Application shall indicate the capacity of the applicant, the document, or statement the applicant wishes to view, or obtain a copy thereof, and the purpose for which it is to be used.

The Authority may reject the application if the perusal of statements, or copies applied for, would cause harm to the company, or prejudice the public interest or the interest of investors.

#### Article (72)

The company, which is incorporated according to the provisions of this law, shall pay to the Authority an incorporation fee of one per thousand of its issued capital, with minimum amount of Five Thousand Pounds (LE.5,000), and a maximum amount of Fifteen Thousand Pounds (LE.15,000), and an annual charge for the services rendered by the Authority of two percent of the company's issued capital, at a minimum amount of One Thousand Pounds (LE.1,000), and a maximum amount of Five Thousand Pounds (LE.5,000).

#### Article (73)<sup>10</sup>

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<sup>9</sup> Amended by Law No. 10 issued on March 23, 1995. See amendment in page 28

<sup>10</sup> Amended by Law No. 10 issued on March 23, 1995. See amendment in Annex

Companies which issue securities, shall pay to the Authority a fee of one per thousand of the value of each issue, with a maximum amount of Ten Thousand Pounds (LE.10000)

## CHAPTER EIGHT

### FEDERATIONS OF SHAREHOLDING EMPLOYEES AT JOINT STOCK COMPANIES, AND PARTNERSHIP COMPANIES LIMITED BY SHARES

#### Article (74)

Employees of the joint stock companies, or partnership companies limited by shares, may establish a federation to be named the "Federation of Shareholding Employees", which shall have a judicial entity, and shall own on their part company shares, subject to the approval of company founders, or its extraordinary general assembly, as the case may be. The Federation shall have the right to buy the shares listed, or traded in the stock exchange.

The Executive Regulations shall specifically stipulate the following:

1. Conditions to be met by companies wherein employees shall be entitled to establish the Federation.
2. Types of shares which the members of the Federation may own, its evaluation procedure, the conditions and rules governing its trading and dispensation thereof, and the right of employees regarding these shares during their term of service, and at termination of service.
3. Conditions to be met by the Federation, its functions, the entity in charge of its management and the means available to the management.
4. The financial resources of the Federation.
5. The Federation may acquire loans, grants, or subsidies for the purpose whereby it was established.

#### Article (75)

The Federation shall be established by a decree from the Authority. It is to be registered and de-registered by the Authority in accordance with the rules, conditions and terms set by the Executive Regulations.

The Authority's Board of Directors shall provide the format pertaining to the statute of the Federation.

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