

EXECUTIVE REGULATIONS  
OF CAPITAL MARKET LAW  
95/1992

Second Edition: May 1998

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EXECUTIVE REGULATIONS  
OF CAPITAL MARKET LAW  
95/1992

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Decree of The Minister of Economy and Foreign Trade

No. 135 for 1993

Promulgating The Executive Regulations Of  
Law No. 95 for 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, and its Executive Regulations,

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

and Law No.157/1981 governing the Income Tax,

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

and Law No.146/1988 governing the Fund Collecting for Investment Companies, and its Executive Regulations,

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

and Law No.203/1991 governing the 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 the 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, means "The Capital Market Authority".

### (Third Article)

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

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

April 7th, 1993

Second Edition: May 1998

Executive Regulations of the Capital Market Law  
As Promulgated by Law No. 95/1992

CHAPTER ONE

ISSUANCE OF SECURITIES

SECTION ONE

**CAPITAL FORMATION OF**  
JOINT STOCK AND PARTNERSHIP LIMITED BY SHARES  
COMPANIES

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 partnership limited by company shares shall be divided, in every issue, into 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 determine 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 any incorporeal right even if its value is equal to the payable one-quarter.

Payment of the amount due may not also be through the exchange of any 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 should cover all the shares representing the issued capital of the joint stock company, or the shares and portions of the limited partnership company;
2. It should be unconditional and be 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;
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; and
5. The shares, which represent the in-kind payment, should have been paid for in full.

#### Article (4)

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

#### Article (5)

The share shall be extracted from a coupon book and bear a serial number. It 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.

The share should specifically include the name of the issuing company, its legal form, its head office address, its purpose in brief, its duration, and the date, number and place of its 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 should also indicate its type, its traits and nominal value and the amount paid for it as well as the owner's name in case the share is nominal.

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

## Article (6)

The amount paid by subscriber 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 years 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 the dates specified, 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.

The shares, which are 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 it 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 arrangement for such securities.

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

First: issuance of shares at incorporation:

1. The company's contract and statute;
2. The receipt of fees payment to the Authority;



3. The total number of shares and what may be offered for public subscription; and
4. Charges for shares issuing, in case it is specified, and the basis of their calculation.

Second: issuance of shares for capital increase:

1. Copy of the statute of the company with the latest amendments.
2. The decision taken by the extraordinary general assembly or by the board of directors or by the managing partner(s), as the case may be, regarding the increase of capital and the reasons for such an increase.
3. Names of members of the board of directors of the company or the managing partner(s), as the case may be.
4. A study on the basis of calculating 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.
5. The receipt of fees payment to the Authority.
6. The manner by which the capital shall be increased and the supporting documents thereof.
7. Types of shares to be issued and the terms of their offering to the public.
8. Distribution of shareholdings and whether the company is listed on the stock exchange as well as the type of schedule it is listed on.
9. The issue charges in case it is specified and the basis of their calculation.

Third: issuance of other securities:

1. Copy of the company's statute with the 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 members of the board of directors or managing partner(s), as the case may be.

4. Summary of the financial statements and data as approved by the auditors for the preceding three years, or for the period since incorporation whichever is less.
5. The type of security to be issued, with sufficient information about it and an indication whether it shall be offered for public subscription.
6. The specified return of these securities and the basis of its calculation.
7. The receipt of fees payment to the Authority.
8. The conditions and maturity date of the security.
9. Distribution of shareholdings and whether the company is listed on the stock exchange and the type schedule it is listed on.
10. The issue charges in case it is specified and the basis of their calculation.

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. The 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 the inception, the conditions and the rules pertaining to the preferred shares and the type and limits of preference determined thereof.

#### Article (10)

The 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 the preferred shares and of other shares of special nature, all the rights and obligations of shareholders are equal and the 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 the 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 meetings of the company's general assembly and shall have the right to discuss the board of directors' report, the balance sheet, the profit and loss accounts and the 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 ordinary and extraordinary 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 meetings of the general assembly of the company should be made at least two weeks before the date of such meetings. Holders of bearer shares who wishes to review the report of the board of directors, the balance sheet, the profit and loss accounts, and the 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 their wishes are affirmed in a special record in which the name of the holder, the serial number of shares he holds, and date and hour of his review of these documents shall be recorded, together with the signature opposite to his name in the record in verification thereof.

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

#### Article (15)

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

#### Article (16)

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

Bearer shares shall not be converted to nominal shares or vice versa.

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

### 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 the average share of the stock of previous issues in the fair value of the net assets of the company at the time of issuance as determined by the Company and under its responsibility and affirmed by the auditor. This shall be with due consideration of the following:

1. If the value is more than the nominal value of the share, the increase shall be retained in a reserve account.
2. If the value is less than the nominal value of the share, the company should decrease the nominal value of the shares, including the shares outstanding, to such a new value and shall recalculate its capital accordingly.
3. If the value is less than the legally determined minimum nominal value of the share, the issued value of the shares including the shares outstanding shall be equal to such a minimal 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 managing partner(s) as the case may be.

#### 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 the proposition is presented, as well as the approved balance sheet of the preceding year.

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

#### Article (20)

The 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 the authorized capital.

The validity of the decision of capital increase shall be subject to the payment of the issued capital in full. The joint stock companies operating in the fields of tourism, housing

or 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.

#### 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 the bonds, or financial notes, or the other securities into shares and if the conditions of their issuance entitle their holders to request their conversion into shares.

#### Article (22)

The shares issued in respect of the capital increase could be paid for in the following manners:

1. Payment in cash.
2. Payment in-kind.
3. Cash debts payable to the subscriber by the company.
4. Conversion of bonds or financial notes held by the subscriber into shares in accordance with issuing terms of these bonds or notes.
5. Conversion into shares of the founding shares or profits' shares owned by the subscriber in consideration of the compensation stipulated in Article (34) of Law 159 for 1981.

#### 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.

The shares resulting from the increase shall be distributed for free among the present shareholders or partners each in proportion to the value of his shareholding or his partnership.

#### Article (24)

The issued capital may not be increased by preferred shares unless the company's statute initially permits this and after approval of 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 the shares issued for capital increase shall be proven by a subscription voucher indicating the 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 the shares of capital increase 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 that receives the subscription for attachment with the original subscription voucher.

#### Article (27)

If all or part of the shares issued for capital increase are offered for public subscription a prospectus should be filed and used for this purpose, satisfying all the conditions stipulated in the Law and these Regulations.

The board of directors or the managing partner(s), as the case may be, shall have the same competence and duties as those of the founders in respect of offering these shares to the public and as stipulated in Article (46) of these Regulations.

#### Article (28)

If subscription is not covered within the period specified, the entity that is receiving the subscription amounts should refund them, including the issue charges, to the subscribers in full and promptly upon demanding them.

In this case, the company should notify the Authority of the non-coverage of the subscription within one week from date of lapse of that period.

The extraordinary general assembly of the company, with the approval of the subscribers to the shares of capital increase, may be satisfied with the amount so far covered

by subscription. In such case, the company should notify the Authority within one week of such a decision.

#### Article (29)

The company and the entity receiving the 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.

The subscription sales proceeds may not be withdrawn except after presenting a certificate from the Commercial Register verifying that the necessary amendments have 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 the 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 the 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, all or part of the shares issued for capital increase may be directly offered to public subscription without application of the priority rights specified for the shareholders by the company statute.

#### Article (33)

The 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 the subscription. This notice should include the following:

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

If the company has not offered its shares to public subscription, nor issued bearer shares, the notice may be served by registered mail including the foregoing at least two weeks before commencing such subscription.

#### SUBSECTION FOUR

#### BONDS AND FINANCIAL NOTES

#### Article (34)

The joint stock and the limited partnership companies may issue different bonds or financial notes with variable interest rates to meet the financial needs of the company, or for financing particular activity or a specific operation on condition that the issued capital should have been fully paid and that the value of such issued debt securities does not exceed the net asset value of the company as determined by the auditor in accordance with the last balance sheet approved by the general assembly.

As an exception, the board of directors of the Authority may grant a permission to these companies to issue bonds or financial notes with a value exceeding its net asset value and within the limits specified in this permission.

#### Article (35)

The 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 at the date these Regulations hereto are enacted.

The approval of the general assembly shall include the interest rate on the bond or the financial note and the basis of calculating such rate, irrespective of the ceiling stipulated in any other law on the interest rate of such securities.

The general assembly decision to issue the bonds or the 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 the bonds and financial notes which are 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 of such a decision.

#### Article (37)

The 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-à-vis the Company.

The bonds and the 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)

The 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)

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

### SUBSECTION FIVE

#### PUBLIC SUBSCRIPTION

#### Article (40)

The 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 the Public Business Sector or 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)

The issued capital of the joint stock and the limited partnership company which offers its 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 that 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. The name, legal form and purpose of the company.
2. Date of the initial contract.
3. The nominal value of the share, the number and type of shares, traits of each of them, rights related to them whether with respect to distribution of profits or at liquidation.
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. The date of commencement of the subscription and the entity at which the 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 the issue charges.
10. Names and addresses of the company's auditors.
11. Detailed statement on items of the foundation expenses that the company is expected to bear from the inception to the date of company incorporation.
12. Statement on the contracts and their contents that the founders had concluded during the five years preceding the subscription if they intend to transfer to the Company after its foundation. If the subject matter of the contract is the purchase of a standing 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 the net profits of the company.
15. Method of the allotment of shares if applications for subscription are more than the shares being offered.
16. The period and cases of refunding of subscription of paid amount by the receiving entity.

#### Article (43)

The prospectus for subscription in capital increase should include the information stipulated in the Law and in addition to the following information:

1. Number and date of company registration in the Commercial Register.
2. The 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 the such value.
3. The amount of increase and the number and value of the 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 that necessitated the increase of capital and the extent of the benefits the company shall accrue from such increase.
6. The extent of application of the preemptive rights of the old shareholders in the subscription.
7. Statement regarding the mortgages and incorporeal rights on all the 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 the cases in which the subscription receiving entity should refund the paid amounts to the subscribers.

#### Article (44)

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

1. The date of the general assembly meeting in which the issuance of the security was approved, and the legal ground of such decision.
2. The type of security being offered and its expected return and how it is calculated.
3. The date of the Authority approval of the public offering of such security and the serial number given thereof.
4. The conditions pertaining to the issuance of the security and the conditions governing its redemption and the dates of redemption.
5. The guarantee and assurance offered to the holders of the security by the company.
6. The 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 director 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 the net assets.

7. 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, the 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 the mortgage and lien rights resulting from these in-kind portions.
4. Sufficient complete summary on the competent committee's decision pertaining to the valuation of the in-kind portion, and the date of such decision.
5. The number of shares issued for the in-kind portion.

#### Article (46)

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

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 signed by all the founders.

Upon the filing with the Authority of the original prospectus and its enclosures, the Authority shall provide a receipt indicating the 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 documents.

The objection and the 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)

The 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 that 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 the subscription 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.

Moreover, the subscription process shall be suspended and the subscribed amounts are refunded if such process is made in violation of the provisions of the Law and decrees issued for its implementation or if it is proven that the prospectus has been approved on the basis of inaccurate information.

#### Article (50)

A summary of the prospectus and its amendments shall be published after approval by the Authority, including the basic information thereof, in two widely circulated daily newspapers one of which should be an Arabic newspaper, at least fifteen days before the 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 the 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 Authority has not yet approved the prospectus.

#### Article (52)

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

#### Article (53)

The 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:

1. The name and purpose of the company whose shares are offered for subscription
2. The company's capital and the portion thereof offered for public subscription
3. The nominal value of the share and the amount paid of such value at subscription
4. The date of approval of the prospectus by the Authority
5. The in-kind payment if any
6. The type, number and serial numbers of subscribed shares
7. Name of the entity to which the subscriptions are paid
8. The name, nationality and address of the subscriber in case of subscription to nominal shares

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

1. The type of security offered for subscription

2. The number and date of the Authority's approval to offer the security for subscription

#### Article (54)

The 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 the subscription exceeds the number of the offered shares and the statute of the Company has not specified the manner of allocation among the 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 the offered shares are fully covered.

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

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

#### Article (57)

The 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.

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

1. If by court 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.
2. 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.
3. If all the 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 the recovery of the subscription amounts, the concerned parties may have recourse to the founders for compensation by making a request to the Arbitration Council stipulated in the Law.

#### Article (58)

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

The company progress report, the results of its work, its financial statements and the auditing of its accounts shall be prepared in accordance with the provisions stipulated in these Regulations and according to the international standards of accounting and auditing and in conformity with the forms included in annex (3).

These provisions shall be applicable to the companies that are 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)<sup>1</sup>

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<sup>1</sup> This Article has been amended by Ministerial Decree No.930 for 1996. See Annex.

Any person who wishes to conclude a transaction resulting in an increase in his shareholding for more than 10% of the nominal shares of a publicly held company, 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, within one week from date of receiving this notification should 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 that 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.

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 transaction within one month from the date of the 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 the 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)

If shareholding percentage of the person who wishes to conclude a transaction exceeds 20% of the nominal shares of the target company, with or without concluding the

intended transaction, his notification should specify the price being offered and he should buy the shares offered by the shareholders who are willing to sell all or part of their shares. If the shares offered by the sellers exceed the number of shares of 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.

These provisions shall be applicable to members of the board of directors of the company or its employees if the percentage specified in the previous paragraph exceeds 15% for each of them.

#### Article (62)

If the shares of the target company are listed on one of the stock exchanges the sellers who are willing to sell their shares according to the provisions of the 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 the joint stock or the limited partnership 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, the 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 the in-kin payment, or the merged equities, through the competent committee as defined in the relevant governing law.

#### Article (65)

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

#### Article (66)

The entity to which the 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 seller of the in-kind payment with the decision of the 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 Founding Assembly or the General Assembly, as the case may be. This is without prejudice to the right of the seller of the 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 and to be settled when the case is completed.

#### Article (67)

The same provisions that govern the procedures followed by the Contesting Committee shall govern this contest.

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 for merged equities except after the expiry of the 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 partnership 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 the other securities shall form an Association with the purpose of protecting and safeguarding the common interest of its members.

Holders of at least five percent (5%) of the nominal value of issued bonds; financial notes and the 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 of the Association.

#### 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 deposes him when absent and his financial remunerations.

If this representative is not selected within three months from the date of the meeting held for his selection, 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 the 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:

1. 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;
2. Carrying out the administrative tasks necessary for the conduct of the Association business and for the safeguarding of its interest in accordance with the system set for him by the Association;
3. Representing the Association before the courts vis-à-vis the company or others; and
4. 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 the 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 the 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:

1. Upon the request of the legal representative
2. If the board of directors of the company or the executive partners, as the case may be, so request
3. If holders of not less than five percent of the value of bonds, financial notes and/or the 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.
4. If the Authority so requests
5. If the liquidator of the company, during liquidation period, so requests

The request should, in all cases, include the subject matters to be considered by the Association.

#### Article (77)

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

#### Article (78)

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

#### Article (79)

Invitation to the meeting of the Association shall include the information which are required for the ordinary general assembly meetings of the company as stipulated in the Executive Regulations of Law 159 for 1981, in addition to which a statement shall be provided

regarding the securities issue or issues whose holders are invited to the meeting and the name, address and the 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 the other securities on their addresses as kept in the company records.

#### Article (80)

The person or entity that 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 the other securities may request the person or the entity having the right to convene the meeting to include specific topics in the agenda for the consideration of the meeting and the adoption of relevant resolutions thereon.

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

#### Article (81)

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

Holders of bonds, financial notes and/or the other securities, which are amortized before the 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, its auditors, or by one of its workers therein, or the principals, affiliates, or the spouses of the persons referred to.

#### Article (82)

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

#### Article (83)

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

1. Any measure necessary for safeguarding the common interest of the Association and implementing the terms on the basis of which the subscription was effected;
2. Determining the costs Associated with any of the measures it may take; and
3. 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 increase the burden of its members or result in inequality of treatment among them.

#### Article (84)

The 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)

The provisions of the Law and these Executive Regulations, as well as other executive decisions in connection with their implementation thereof shall govern listing and trading of securities on the stock exchanges.

##### 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 shall provide means of communication link between them for the execution of a uniformed trading system.

Trading of securities at the stock exchange shall be according to the rules adopted by the exchange 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 the other financial statements, names of the members of the board of directors and the 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 the 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 affected upon a decision by the stock exchange that shall notify the Authority of the names of the registered persons within a week of the registration date.

#### Article (89)

The representative of the brokerage firm who is authorized to trade on the exchange should satisfy 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 the Trade Laws or the 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. Be 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. Be 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 the conditions specified by items (4) and (6) of this article.

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

## SECTION TWO

### PROVISIONS OF TRADING AND EXECUTION OF TRANSACTIONS

#### Article (90)<sup>2</sup>

The brokerage firm is prohibited from adopting any policy or taking any action that cause damage to those dealing with it or jeopardizing their rights. The firm is also prohibited from trading for its own account or for the account of its board members, its directors, or any of its employees.

#### Article (91)

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

The brokerage firm shall equip its offices with the necessary means for the discharge of its duties.

#### Article (92)

Selling and buying orders of securities shall be executed in the place and during the trading hours as specified by the stock exchange. These orders, with its identifying information shall be displayed in a manner that fulfills transparency and be in conformity with the rules issued by the Authority.

In a marriage transaction order the brokerage firm shall announce and display such order on the Trading Board for at least half an hour before the transaction is completed. The announced price should be equal to either the closing price or the trading price, as the case may be. Any brokerage firm may interfere to match such an order at a price higher than the offer price or less than the bid price.

The stock exchange shall set the executive rules pertaining to these provisions.

#### Article (93)

The Authority shall oversight the trading market and shall ensure compliance with the Law and the Executive Regulations with respect to prohibited activities, such as artificial transactions, price rigging, deceptive devices, cheating, manipulation and fraudulent activities in connection with securities.

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<sup>2</sup> This article has been amended by Ministerial Decree No. 39 for 1998 - see the Annex

#### Article (94)

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

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

#### Article (95)

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 following session of the receipt of order.

Orders shall be executed in the terms of priority as have been received by the brokerage firms either during or off the trading session.

The Firm shall complete trading procedure 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)<sup>3</sup>

Transactions could be executed on any number of securities.

The Trading Price of a security shall be the last price of its traded lot (a lot is one hundred security) during a trading day.

The Closing Price of a security shall be the last price of its traded lot at the end of the trading day.

The stock exchange shall display the transaction prices as well as other bids and offers prices.

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<sup>3</sup> This article has been amended by Ministerial Decree No. 435 for 1998. See the Annex.

The closing price of a security shall be deleted if it is not traded for six continuous months, and the company will be removed from the stock exchange list if no trading takes place for a whole year.

#### Article (98)

The stock exchange shall record the 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)

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

The record shall contain the information specified in the preceding article.

### SECTION THREE

#### SETTLEMENT OF TRANSACTIONS AND DISSEMINATION OF INFORMATION

#### Article (100)

Ownership of nominal securities that are listed on the stock exchange shall be transferred once the recording of their transaction on the stock exchange through the established means is completed.

For the unlisted nominal securities, the transfer of their ownership shall be completed when recorded in accordance with the preceding article. The owner shall reserve a written document establishing the ownership transfer.

For bearer securities, transfer of ownership shall be affected 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 its recording.

#### Article (101)



Every stock exchange, within one week of its 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 the company and its governing law;
- The 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 List in which the securities have been listed.

2. Concerning Bonds, Financial Notes (Sokok Eltamweel), and other Securities:

- Issuer of the bonds, the financial notes and other securities;
- Value of the bond, the financial note and the other security;
- The return and maturity date;
- Type of subscription;
- Date of listing approval by the stock exchange;
- Type of List 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 the unlisted securities;

2. A monthly and by-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 year trading, value and number of trading operations as compared with the preceding year. The report shall highlight the trading aggregates of the year distributed by different economic sectors and the major phenomenon that 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 the securities trading on the listing of each, on the A and B Lists of the exchange, together with the information of the trading of unlisted securities.

#### Article (102)

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

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

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 that the stock exchange considers necessary for media publication.

#### Article (103)

Companies for clearance and settlement of securities trading on the stock exchanges could be established for the purpose of organizing the 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 the 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 the private exchange and its statute shall be according to the forms established by the Authority and without prejudice to the provisions of these Executive Regulations.

#### Article (107)

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

#### Article (108)

The 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 Egyptians shall own the majority of such capital.

#### Article (109)

The general assembly of the private stock exchange 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.

#### Article (110)

The 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 members for a period of three years and shall be in accordance with the procedure stipulated by its statute.

The founders shall make the appointment of the first board of directors.

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 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. The managers of the stock exchange must have had previous experiences 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 of the Board of Directors of the Authority;
3. None of the founders or the 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
4. 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
5. Equipping the premises of the stock exchanges with the means and instruments necessary to perform its activity in conformity with the conditions established by the Board of Directors of the Authority.

#### Article (113)

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

1. The contract of incorporation and the statute of the exchange;
2. The receipt of payment of the insurance amount;
3. The receipt of payment of the licensing fee which shall be determined by the Minister;
4. An evidence of the cash subscription to the capital of the stock exchange with the names of the founders and sufficient information about them; and
5. Names of Auditors and their declaration of acceptance of their 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)

The 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 who shall be selected by the general assembly of the exchange, from amongst the Auditors who are registered in a record prepared for this purpose in consultation between the Authority and the Central Agency for Accounting.

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

(FINANCIAL INTERMEDIARIES)

SECTION ONE

GENERAL PROVISIONS

Article (120)

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

1. Underwriting and promotion of securities.
2. Establishing companies which issue securities, or sharing their capital increase.
3. Venture Capital.
4. Clearance and settlement of securities transactions.
5. Formation and management of securities portfolios<sup>1</sup>, and formation of investment funds (mutual funds).
6. Brokerage in securities<sup>2</sup>.
7. Other activities related to securities intermediation as may be defined by the Minister of Economy, after approval of the Authority's Board of Directors.

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 the activities related to mass media publicity and required for this purpose;

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<sup>1</sup> Other than management of mutual funds portfolio refer to Articles 163-171 section two of this chapter governing the Investment Manager.

<sup>2</sup> Other than Market Makers

2. Underwriting of securities whether or not offered to the public, and re-offering them for public subscription or for 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 nominal value of the security;

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 these Regulations thereof.

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

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 holding company if it falls within the following categories:

1. If the primary purpose of the company is to conduct such a business;
2. If the company alone or together with its founders holds more than half of the capital of five or more joint stock, or limited partnership companies;
3. 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 partnership companies; and
4. If the company conducts the business of establishing joint stock or limited partnership companies, or sharing their capital increase in a manner which makes such a business one of its primary objectives.

#### Article (123)

The business of venture capital includes the financing of companies issuing securities, supporting them, or rendering them technical and management services, or taking part in projects and establishments and their development with a view to converting them into joint stock or limited partnership companies if these projects and establishments are of high risk nature, or suffering from financial deficit.

#### Article (124)



The securities intermediation companies as defined by the Law should take the legal form of a joint stock or a limited partnership company.

**It should keep the books, ledgers and records necessary for the conduct of its 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:
  3. Underwriting and promotion;
  4. Establishing companies which issue securities or sharing their capital increase;
  5. Clearance and settlement of securities;
  6. Formation and management of securities' portfolio.
7. Minimum Five million pounds for the investment funds to be paid in full.
8. Minimum Ten million pounds for the venture capital to be paid in full.

#### Article (126)

The maximum value of the 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 business of the company, the risk involved in conducting such business and the liabilities of the company.

#### Article (127)

Irrespective of its governing law, the companies which are 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.

The founders or the managing director, as the case may be, may apply for the Authority's approval in principal before they proceed with the incorporation or licensing of the company. The application should be supported with the documents as defined by the Authority.

Approval shall be subject to market needs of the business for which the 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 becomes a member of the board of directors;
4. Acknowledgment of the company's Auditor confirming his acceptance of his appointment in this capacity;
5. Certificate from the entity receiving subscriptions indicating the full cover of subscription to all shares of the company, that the minimum payable amount of the 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 the 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 their assignment thereof to the company after its incorporation;

8. If the capital of the company includes payment in-kind, a certificate indicating that such in-kind share has been valued and that its relevant procedures has been completed; and
9. Receipt of the payment of incorporation fees 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 the application, its date and number of its 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 the 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 the 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.

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

Each company granted this license should be given a certificate indicating the 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 the 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)

The 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 the registration date, number and place;
2. The 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 the 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. The receipt indicating payment of the license fee;
6. The receipt indicating payment of the insurance amount as specified by the Authority's Board of Directors; and
7. Any amendments that may be made to the information and documents pertaining to the company and on the basis of which it is incorporated.

#### Article (136)

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

The license denial decision should be causative.

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

#### 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 knowledge thereof. The contest should include the 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 the 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 of coming into force of these Regulations with the following information:

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

#### Article (139)

The 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 the terms and procedures prescribed in these statutes.

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

The provisions of this Article shall be applicable to the Public Business Sector companies in accordance with the 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)

The 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 the expected results.

##### Article (141)

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

- The manner of Fund management.
- The amount of assets to be invested provided it does not exceed the maximum limits specified by its statute and these Executive Regulations.
- The investment policy of the Fund.
- The name of the custodian bank with which the cash money of the Fund and the securities it holds are being deposited.
- The 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 the holders of the 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 the 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 the 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 a sufficient liquidity for the purpose of meeting requests of redemption of the investment certificates in accordance with the conditions of redemption specified by the prospectus.

The Fund shall not borrow more than 10% of the value of outstanding investment certificates, provided that the loan is 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 that is likely to cause harm to the rights or interest of the investment certificates holders.

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

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



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

#### Article (146)

With regard to the 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 the 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 of the 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 the model of the investment certificate before offering it for subscription.

The investment certificates shall not be issued unless their value is paid in fully in cash as per the issue price. These certificates entitle the investors to equal rights vis-à-vis the Fund, and their holders shall have the right to share the 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 the investment certificates to be issued in return therefore, at a limit not to exceed ten times the original capital paid up by the founders of the Investment 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.

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

Article (149)

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

Article (150)

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

Article (151)

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

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

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 the investment certificate;
6. Number and denominations of the investment certificates;
7. Name of the Bank authorized to receive subscription;
8. The minimum and maximum limits of subscription to investment certificates;
9. The period during which the subscription is made;
10. Names of the Fund Board members and the Directors in charge of its administration;

11. Names of the Auditors;
12. Name of the Investment Manager and an adequate summary of his previous business experiences;
13. Investment policies;
14. The annual dividends and the capital gains distribution policy, and how the capital gains are dealt with and the liability extent of the certificate's holder at Fund liquidation;
15. An indication whether the value of the certificate could be redeemed before maturity, the cases of such redemption and the 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 the Investment Manager;
18. The financial burdens to be borne by the investors;
19. Method of regular evaluation of the 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 its 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 the 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 therefore by the Minister.

The period during which the 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:

1. Name of the Fund issuing the certificates;
2. Number and date of the Fund's license;
3. Name of the Bank receiving the subscriptions;
4. Name, address, and nationality of the subscriber to the nominal certificates and the date of subscription;
5. Total value of certificates offered;
6. Value and number of subscribed certificates numerically and in letters; and
7. Cases and conditions of redeeming the value of the certificate before its maturity.

If the 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 that 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%. The subscriptions receiving Bank shall refund in full to the subscribers, upon claiming repayment, the amounts paid by them including the issue charges.

Article (157)

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

In this case, the subscriber shall submit the voucher of subscription 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.

The subscriptions receiving Bank shall not disclose the 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 the value of investment certificates to their holders nor distribute to them any dividends in violation of the terms and conditions of the issue.

Article (159)

If the prospectus indicates the right of certificate holder to redeem its 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 that have been redeemed.

Article (160)

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

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

Article (161)

The 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 between them the report shall indicate and explain the 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 the total number of subscribed certificates unless the majority of certificate holders decide to continue the activities of the Fund in a meeting to be convened by the Fund Company and attended by a representative of the Authority.

The Company shall 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 the subscribed certificates.

#### Article 162 - B<sup>1</sup>

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

### SUBSECTION TWO

#### INVESTMENT MANAGER

#### Article (163)

The Fund shall entrust an experienced entity to manage the investment of its assets. Such an entity shall be called Investment Manager.

#### Article (164)

The Investment Manager should satisfy the following conditions:

1. Be a joint-stock company incorporated in Egypt, and the paid up cash capital of which shall not be less than One Million Pounds, or to be a specialized

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<sup>1</sup> This Article has been added by Ministerial Decree No. 935 for 1996. See the Annex.

foreign entity in accordance with what shall be determined by the Board of Directors of the Authority in this respect;

2. The responsible persons who will conduct such business should have the experience and qualifications required for managing the Fund's investment;
3. Members of the management 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 previously been dismissed from service for disciplinary matters, nor prohibited from working as a stockbroker or any other profession, for disciplinary matters. In addition, they should not 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. Payment of an amount of insurance the value of which, the rules and procedures governing deductions there from and completion thereof as well as the management of its proceeds and the method of its redemption shall be determined by the Authority's Board of Directors.

#### 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:

1. 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;
2. Names of the board members and directors as well as their experiences and addresses;
3. Business history of the company relating to management of Fund's investment;
4. The receipt indicating payment of prescribed fees to the Authority; and
5. Any other documents as required by the Authority.

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

The 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- The 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 terminating and revoking the contract;
- 6- The relationship of the Investment Manager with the custodian bank for the securities held by the Fund in as far as such securities are concerned; and
- 7- The cases and limits within which the 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 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)

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

- All prohibited actions on the part of the Fund whose investment being managed by him;
- Using the Fund's assets in founding new companies, or buying securities of companies under liquidation, or in a state of bankruptcy;
- Benefiting for himself or his directors or staff any gains or advantages from transactions carried out by him;
- Having any affiliation of any kind with the companies being investing in their securities for the account of the Fund under his management;
- Investing for his account or the account of his staff in the certificates of the Funds under his management;
- Obtaining loans from unless allowed by the management contract to do so, and within the limits prescribed in the contract;
- Buying securities which are 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 which are not listed on a Stock Exchange abroad or which are listed on an exchange abroad but not supervised by a governmental regulatory commission;
- Investing the Fund assets in the certificates issued by another Fund he is managing;
- Disclosing or publishing incorrect or incomplete data and information, or withholding material information or data; and
- 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

#### INVESTMENT FUNDS OF BANKS 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 General Insurance Control Authority, as the case may be;
2. Duration of the Fund;
3. The amount allocated for the conduct of such a business, provided it is not less than Five Million Egyptian Pounds;
4. The investment policies of the Fund;
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 the management remunerations;
8. Method of regular evaluation of the Fund's assets and the manner of determining the share of certificates;
9. Cases of Fund's liquidation and governing rules;
10. Other information as required by the Authority; and
11. The 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 the securities owned by the Bank or by the Insurance Company, an indication of the issuer of these securities, and an indication that such investment shall be on the basis of the fair value of these securities as verified by the Auditor of the Bank or the Insurance Company.

The Bank or the Insurance Company shall guarantee the accuracy of the information contents of the prospectus.

#### Article (174)

Subscription to the 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 the 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)

The maximum amount of investors' subscription to the Investment Fund of the bank or the insurance company shall be twenty times the amount appropriated for the Fund as initial capital to conduct the business.

Article (176)

The Investment Fund of the 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 the 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 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 therefore.

Article (178)

The Fund assets, investments and activities shall be separated from the Bank 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 their 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, and it should include the 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 investments 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 that may cause harm to the Fund.

Article (181)

The 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 the management of the Fund's investments 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)

The investment certificates issued by the Funds of the Banks or Insurance Companies shall not be listed or traded on the 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 partnership 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 the profits as 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 the companies governed by other laws and fulfill the following conditions:

1. Its capital should be not less than One Million Pounds;
2. 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 statute;
2. Only the employees of the company should participate in its institution and join its membership;
3. The number of the Federation's membership at its 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:

1. Name of the company in which the Federation is established, the scope of its business and its headquarters;

2. The head office of the Federation;
3. The organs of the Federation, their functions and the methods of members selection, their removal from office, or annulment of their membership and the justifications required for the validity of their decisions;
4. The system and conditions set for the Federation's membership, the rights and duties of its members and particularly the right of attending the general assembly meetings and the quorum required for the validity of such meetings and voting;
5. The Federation's self-financing resources and the method of utilizing and disposing thereof;
6. System of financial control and auditing;
7. The name of custodian Bank of the Federation funds;
8. The percentage to be deducted from the profits to cover the Federation management expenses; and
9. Method of amending the Federation's Statute.

#### Article (187)

The 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. The application of incorporation of the Federation;
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 the full name of each founder, his surname, his 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.

The founders of the Federation shall be responsible for the expenses to be incurred in incorporating the Federation 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 Authority shall keep the second copy.

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 or not are listed 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)

The 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)

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.

#### Article (194)

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

The employee's membership of the Federation shall lapse through his withdrawal or with the 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 the redemption of

the value of this contribution for more than three months from the lapse of the employee's membership.

#### Article (195)

A Board of Directors formed of not less than three and not more than five members shall manage the Federation.

The Chairman of the Federation's Board of Directors shall represent it vis-à-vis third parties and before courts.

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)

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

1. An invitation by the Board of Directors;
2. A written request to be submitted to the Board of Directors by 25% of the members who have the right to attend the general assembly with an indication as to the purpose of such meeting; and
3. 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)

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

1. Contributions by the members as determined by the Federation's statute;

2. The proceeds of selling the shares;
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)

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

#### Article (200)

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. If the number of shares owned by the Federation is reduced below the minimum limit of shareholding for the company's capital and continues to be so for a full continuous year;
3. Desolating the Federation by the extraordinary general assembly decision; and
4. 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.

#### Article (201)

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

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

The concerned parties 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.

#### 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 SETTLEMENT OF DISPUTES

#### Article (205)

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.

#### 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 the contestant;
2. Date of the contested decree and the date of notifying the concerned party, or the date of his knowledge thereof;
3. Subject of the contest and the reasons it is lodged for, together with supporting documents; and
4. The 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 will be manned with a number of staff of the Authority to receive the contests and records them in a special record on the date they are received. The office shall provide the contestant with a copy of his contest certified with the number and date of its recording.

#### Article (208)

The office shall refer the contest immediately upon receipt to the Committee Chairman who shall proceed with its submission to the Committee for examination. The Committee may request clarification, as it deems necessary from the parties concerned together with their supporting documents.

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

Judgment decisions of the Committee shall be final and enforceable.

#### Article (209)

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 his application for arbitration, the applicant shall deposit in the Authority, the 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.

The arbitration decision issued in the subject of dispute shall determine the party who shall pay the arbitration fees, expenses and remunerations.

#### Article (211)

The contestant of the administrative decrease issued by the Minister or the Authority in connection with the Law, these Regulations or the executive decisions issued for their implementation thereof shall deposit at the Authority an amount of Five Thousand Egypt 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 212

The Authority shall pay the remuneration of the Chairman of the Arbitration Council at a rate of 10% 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 One Thousand pounds and a maximum of Two 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.

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

Chapter Six<sup>1</sup>  
Provisions Regulating Portfolio Management Companies  
and Brokerage Companies

Section One

General Provisions

Article 213

In application the provisions of sections one to five of this chapter means, 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 the 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 that perform actual management activities.

Article 216

The company should have the needed solvency to perform its activity to ensure its fulfillment of its obligations, in accordance with the rules set by the CMA in this respect.

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<sup>1</sup> Chapter Six (Provisions Regulating Portfolio Management Companies and Brokerage Companies) has been added to the Executive Regulations by Ministerial Decree No. 39 for 1998 (articles 213 through 268)



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.

## Section Two

### Internal Regulations and Supervisory Systems

#### Article 217

The company shall set internal written regulations before the end of the first from the date of receiving the license. The internal regulations shall include the company's work system, rules followed by both the managers and the 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

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

- The documentary cycle to be followed as of receiving the client's application until the execution of the transaction and the notification of the client.
- The structural organization of the company showing the actual duties and actual management responsibilities of each manager and company employees representing the company in dealing with others.
- The 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.
- The system of recording the correspondents between the company and its clients.
- The system of internal bookkeeping
- The system of recording the clients' complaints
- The system of internal surveillance and regular check ups of the company which are applied to the managers and the employees to ensure the good application of the laws and decrees regulating the company's activities and its internal regulations and that would result in quick discovery of any violation by any of the managers or the employees.

- The system of resolving any errors resulting from the company's executing of transactions.
- The system of dealing with orders of clients that may fail to pay or to deliver securities or any other violation of clients ' commitments and without violating article 262 of the Executive Regulations.

The company shall notify the CMA of the responsible personnel for the 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 with all clients' complaints related to the company's activities and the procedures taken to resolve these complaints. 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 within the above-mentioned period.

#### Article 220

The one responsible for 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 the securities or a civil dispute related to his work in this field. He shall also notify the CMA of a 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 statements or misinforming 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 that 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;

- Receiving any fees or return of any kind or requesting a specific actions from clients in return for services that the company announced were freely provided
- Using cautioning phrases with regard to any securities without reason, if that involves a kind of misinformation.
- 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 be include the name of the entity that prepared the advertisement or the research and the date of its 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 the information in it 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 the

advertisement should indicate the source of prize or certificate. In all cases, the advertisement should include an explanation that the award of the prize or the certificate reflects only the opinion of the provider of it 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 the company itself has prepared it.

### Section Four

#### Company Information and the Right to Information

#### Article 227

The company shall keep on-time books that show its financial situation, its accounts, records, documents, and correspondence in accordance with the law and the applicable regulations. The company shall also send its clients upon 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 the data stated in the following article and statement of all the 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 physical or judicial persons 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:

- Client's name, age, profession, address and a photograph. If it is an Egyptian judicial person he should give a copy of his commercial registration, his legal status and if it is a foreign judicial person an establishment document and the legal status.
- Client's address for the correspondence and the telephone numbers.

- Names and titles of those who have signature rights on behalf of the client or can represent him with the company.
- 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.
- 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 protect the complete secrecy of the client's information and shall not disclose any of his information or his transactions to others without a previous written consent with the exception of cases that necessities 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 the managers and employees to protect the secrecy of this information in all cases. The company shall be prohibited from using this data and 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

The company shall abide by the principles of honesty, working in the client's best interest, equality among clients with similar nature and conditions in dealing with the company, avoiding all things that entail providing favors or incentives or special information to some clients and not the 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 physical 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 an excessive when executing or inventing deals with the objective of increasing the 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 this conflict except after disclosing the conflict to its clients or the public that can 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 the interest 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 and to ensure that no conflict of interest between the two companies or between any of them and the clients of the other company.

#### Article 236

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.

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.

The provisions in the previous paragraph shall be applicable to portfolio management companies on condition that the executive manager approves that one brokerage firm executes all transactions to the individuals mentioned in paragraph one of this article including the 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 the 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 the shareholders of any company subject to the 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 the provisions of this chapter with exception of those whose share is less than 5% of the capital and that has no actual authority in management.

#### Article 240

The one responsible for internal surveillance in a company shall examine the buy and sell orders in accordance with articles 236, 237 and 238, before their execution to ensure that they do not contain any conflict of interests. The orders shall be executed after the execution of the clients' orders on the same securities with the exception of public subscriptions.

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

In all cases, the company shall be prohibited from executing sell or buy 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 previous to executing the activity:

- The existence of a personal and direct interest for the company in marketing the security subject of the transaction.
- The involvement of the company in the offering of the security under consideration for subscription in the previous year to the transaction.
- That the company and the company issuing the security under consideration are subject to the actual authority of the same physical or judiciary 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 relation 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 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 physical or judiciary person that has any interest with company. Managers and employees in the company shall submit a regular report of the gifts he 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 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 delegation or disregarding the delegation.
- Spending from the client's 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 the information is incomplete or related to an expected transaction in this security or any other thing of substantial influence on the securities or the issuing entity or on the trading prices.

## Section Six



Special Rules for the Portfolio Formation  
Companies

& Management

Article 245

The company, in the context of applying the provisions of this chapter, shall mean portfolio formation and management companies.

The company shall be prohibited from promising in any advertisement it issues a 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 his 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 client's holdings of securities and his cash account during the period covered by the report.

Article 248

The company shall write 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:

- The company's commitment to buy and sell securities in the name and on the account of the client.
- Defining the client's investment objectives and the conditions.
- Defining the extent of risk and securities liquidity the client is willing to bear.
- Defining whether the client is willing to buy foreign securities.
- The company's commitment to provide maximum diligence in achieving the client's objectives.
- Defining the company's commission for the services provided.
- The names of banks or companies in which the client's securities, the liquid money for buying securities and the cash resulting from the sale of securities are deposited and the money devoted for buying securities and the conditions of dealing on these accounts.
- The method of settling or resolving disputes that 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 as a result of real transactions or exceeding the actual profits of the transactions
2. Providing the client with a guarantee against losses resulting from dealing in securities in cases not allowed by the CMA.

#### Article 250

Without violating the central depository system, the company shall deposit the client's securities and the money determined for buying securities or money resulting from sale of securities in one of the banks in the name of the client or with one 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 client's accounts' from the company's private accounts.

#### Article 251

The company shall be prohibited from using the client's money to finance its private transactions or to spend it in any of the company's accounts. 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 having the 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.

## 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 an agreement with each client including the form of dealing between them and all responsibilities and duties of each party in compliance with the law and its regulations on a prepared form for this purpose. The company shall send a copy of the form to the CMA. The agreement 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 client's 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 clients' orders.
5. Defining the company's commission for the 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 custodian.
8. Defining the method of settling or resolving disputes that occur between the two parties while applying the terms of the agreement.

#### Article 257

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

#### 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 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 be prohibited from providing advice to its clients to sell or buy securities unless it has researched on the security or on the market that justifies 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;
- To deal in the client's securities in a manner that conflicts with his interests or his financial status.
  - To recommend buying securities with high risk undertaking the maximum diligence to verify the appropriateness of such recommendation with the client's circumstances.
  - To recommend buying securities that exceeds the client's financial capability to meet the obligations.

#### Article 260

The company shall do the 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 decrees implementing it, especially with respect to the client's identity, his ownership certificate of the securities, his nature, his competence to dispose of the security and that dealing is on an intact 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 physical or judicial 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 the buy and sell orders in the computer connected to the Stock Exchange through the prepared means, in accordance with the clients' instructions and the in compliance with the law, the executive regulations and the systems used. The company's representative in the Stock Exchange shall keep register to record 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. 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 the telephone recording system prepared by the company and approved by the CMA to ensure no fraud or manipulation and on condition the client approves 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 Misr for Clearance, Settlement and Central Depository, in this respect. The company may keep the securities of the clients 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 orders of the clients within the limits order. 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 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 a copy of this notification. The company shall keep the securities in a safe place until the client receives it 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 clients or depositing it with licensed entities.

#### 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.