

CAPITAL MARKET LAW

No. 95 of 1992

EGYPT

**LAW No. 95 of 1992
PROMULGATING THE LAW
OF CAPITAL MARKET ¹**

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

FIRST ARTICLE

The provisions of the Law hereto shall be applicable with regard to the regulation of Capital Market.

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

SECOND ARTICLE

In application of the provisions of the Law hereto, the "Authority" or the "Administrative body" wherever they are stated in the Law hereto and its Executive Regulations, or in the Law No.159/1981 and its Executive Regulations, shall mean "The Capital Market Authority"; The "Chairman of the Authority" shall mean the "Chairman of the Board of Directors of the Capital Market Authority", and the "Minister" shall mean the "Minister of Economy and Foreign Trade". ²

THIRD ARTICLE

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

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

FORTH ARTICLE

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

¹ The Official Gazette No. 25 (bis) dated 22/6/1992

² The Minister shall mean "Minister of Foreign Trade" according to the Presidential Decree # 416 of 2001.

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

FIFTH ARTICLE

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

This Law shall be stamped with the Seal of State and executed as one of its laws.

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

Hosni Mubarak

CAPITAL MARKET LAW**CHAPTER ONE****ISSUANCE OF SECURITIES****Article (1)**

The capital of the joint-stock company, and the shareholding of non-acting partners in companies limited by shares, shall be divided into nominal shares of equal value. Companies may issue bearer shares within the limits and in accordance with the rules, conditions and procedures specified by the Executive Regulations. Bearer shares shall not have voting power at the general assembly meetings.

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

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

The Executive Regulations shall stipulate such information which the shares must include, and specify the manner of replacing lost or damaged shares and what may ensue to them when the statute of the company is amended. The Executive Regulations shall stipulate the rules governing the offering of shares for public subscription.

Article (2)

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

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

Article (3)

The value of shares which are issued for payment in kind, or in case of merger, should be equal to that of in-kind payment, or merged assets, as defined by the relevant valuation committee. The proponents to this valuation shall have the right to complain to the Contesting Committee stipulated in Chapter Five of this Law as

defined by the Evaluation Committee, and subject to the rules and procedures stipulated in the Executive Regulations.

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

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

Article (4)

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

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

Article (5)

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

- A. purpose and duration of the company.
- B. issued and paid up capital of the company.
- C. characteristics of the shares being offered, advantages and the terms of offer.
- D. names of founders, capital subscribed by each and payment in kind, if any.
- E. the company's plan for the use of proceeds of shares sale and expected results.
- F. places where the Authority's certified prospectus could be obtained.
- G. any other information as defined by the Executive Regulations.

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

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

Article (6)

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

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

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

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

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

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

Article (7)

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

Article (8)

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

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

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

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

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

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

Article (9)

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

Article (10)

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

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

³

Article (11)⁴

Without prejudice to the tax exemptions set forth for shares of companies listed on the stock exchanges at the date of enactment of this Law, shares on the list specified in item A of Article 16 of this Law shall be exempted from stamp duties⁵ at issuance and

³The Supreme Constitutional Court Ruled on 13-1-2002 that paragraph 2 of Art.10 of the Law 95 Of 1992 is unconstitutional.

⁴ This paragraph of the Article has been cancelled by Law No. 89 of 1996 it stipulated In case shares are sold at a price higher than that of purchase Capital gains shall be subject to a two percent tax, to be paid by the seller. The collection of this tax shall be governed by regulations to be issued by the Minister of Finance in agreement with the Minister of Economy.

3- Stamp duties tax has been cancelled in accordance with Law no. 11 of 1995 as from Jan. 1st, 1996.

from annual stamp duties; dividends of these shares shall be also exempted from the general income tax.

Article (12)

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

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

Article (13)

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

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

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

The Executive Regulations shall stipulate the rules and procedures regarding convening the association's meetings, who is vested to convene the meeting, the venue and the voting process, as well as the relationship between the association and the company as well as with the Authority.

Article (14)⁶

Without prejudice to the tax exemptions set forth for bonds and financial notes issued by companies listed on the stock exchange, at the date this law is enacted, the bonds, financial notes, and other similar securities -irrespective of the issuing entity

⁶ The second paragraph of Article 14 has been cancelled by Law No. 89 of, 1996, it stipulated that "if any of these securities are sold at a value higher than the purchase price, it shall be subject to two percent tax to be paid by the seller. The collection of such tax shall be governed by regulations to be issued by the Minister of Finance in agreement with the Minister".

- which are listed on the stock exchange list specified by item (A) of Article 16 of this law, shall be exempted from stamp duties at issuance and from annual stamp duties as well. Returns on such securities shall be also exempted from movable capital tax and the general income tax.

CHAPTER TWO **STOCK EXCHANGES**

Article (15)

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

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

Article (16)

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

A. Official List: for the listing of the following securities:

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

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

- 2. Bonds, financial notes, and other securities offered to the public by joint-stock and limited by shares companies, provided that they fulfill the conditions stated in items (a) and (b) of the previous paragraph.**
- 3. Securities issued by the Government and offered to the public.**

4. Shares and other securities of the Public Sector Companies, and the Public Business Sector Companies.

B. Non-official List: on which the following securities shall be listed:-

- 1. shares and other securities which do not meet the listing conditions of official lists.**
- 2. foreign securities.**

Article (17)

Securities shall not be traded outside the stock exchange on which they are listed, otherwise trading shall be null and void

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

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

Article (18)⁷

In case securities are registered with a company licensed to practice central depository activity or securities bookkeeping, certificates given by these companies shall substitute securities notes in transactions, attendance of shareholders general assemblies, receiving dividends, mortgage and employing preference rights etc. in accordance with terms and procedures set by the Executive Regulations.

Trading in securities listed on the stock exchange shall be carried out through a licensed company, otherwise trading shall be null and void. The company shall guarantee soundness of the transaction it undertakes. The Executive Regulations shall define the activities which these companies are prohibited to undertake.

Article (19)

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

⁷Article 18 has been substituted by Law # 159 of 1998 which stipulated before amendment thereof " Transactions of securities which are listed on the stock exchange shall be carried out only by licensed companies, otherwise trading shall be null and void. Such companies have to guarantee soundness of the transaction. The Executive Regulations shall define the activities which these companies are prohibited to carry out.

Article (20)

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

Article (21)

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

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

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

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

Article (22)

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

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

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

(*)Article (23)

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

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

The resolution establishing the Fund shall regulate the system of its management, its relationship with the companies referred to, the percentage of participation of each in the Fund's resources, the fees imposed for delay in payment of the said participation, or any other payable fee. The said resolution shall also provide the rules for expenditures and investment of the resources, and types of risks that covered by the Fund and rules of compensation.

(*) The third paragraph of article (23) was replaced by Law no. (143) / 2004.

(*)Article (24)⁸

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

The listing fees of securities on the stock exchange should not exceed Fifty Thousand pounds (LE.50000) annually, for the listing of every issue on the list specified by item (A) of Article 16 of this law, and Thirty Thousand Pounds (LE.30000) annually, for the listing of every issue on the list specified by item (B) of the same Article.

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

Article (25)⁹

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

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

Article (26)

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

^(*) The second paragraph of article (24) was replaced by Law no. 143 / 2004.

⁸The Ministerial decree # 478 of 1994 amended by the Ministerial Decree348 /1996 and the ministerial Decree # 57 of 1997 was issued to define brokerage commission, securities listing fees and services fees for stock exchange operations, which was amended by Ministerial Decree # 337 of 2001.

⁹ The Presidential Decree # 51 of 97 regarding provisions governing Cairo and Alexandria Stock Exchanges and their financial affairs has been issued.

CHAPTER THREE

SECURITIES INTERMEDIATION COMPANIES

SECTION ONE

General Provisions

Article (27)

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

- A. promotion and underwriting of securities.
- B. participation in establishing companies which issue securities, or sharing in their capital increase.
- C. venture capital.
- D. clearance and settlement.
- E. Formation and management of portfolios and investment funds (mutual funds).
- F. brokerage in securities.

¹⁰The Minister, upon approval by the Board of the Authority, may include other activities related to securities intermediation. Applications for the incorporation of these companies shall be submitted to the Authority. The Executive Regulations shall stipulate the rules and procedures governing their establishment, and the rules governing their business, and the practices pertaining to such activities.

Article (28)

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

The Authority shall issue its acceptance or refusal decision regarding license application within a maximum of 60 days, starting from the date of receiving full documentation. In case the application is refused, the decision must give reasons of refusal. Contesting such a decision should be made to the Contesting Committee specified in chapter five of this law.

The Executive Regulations shall stipulate the licensing rules and procedures, and the licensing fees which shall not exceed Ten Thousand Pounds (LE.10000).

¹⁰ Securities evaluation, classification and arrangement activity has been included as per the Ministerial Decree # 184 of 1995; securities book keeping activity has also been added as per Ministerial Decree 891 of 1995; securities evaluation and analysis as well as promulgation of securities-related information activities have been added as per Ministerial Decree 632 of 1996; direct investment funds activity has been included as well per Ministerial Decrees 935 of 1996; and " Securitization of Financial Rights " has also been added per Ministerial Decree 697 of 2001.

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

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

Article (29)

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

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

Article (30)

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

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

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

Article (31)

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

- A) give an admonition to the company.
- B) prevent the company from performing part or all of its licensed activities.
- C) the company's chairman is called upon to convene a board meeting to look into law violations with which the company is charged , and to take necessary measures to remove the same. The meeting should be attended by one or more officials representing the Authority.
- D) appointing an observer on the board of the company for a period to be specified by the Authority's Board, and he shall take part in the board discussions and record his opinion on decisions taken.
- E) dissolve the board of the company and appoint commissioner to manage the company temporarily until a new board is appointed in accordance with the governing laws in this respect.
- F) obligate the infringing company to increase the amount of insurance paid.

Article (32)

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

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

Article (33)

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

Article (34)

Every person who carries out any of the activities specified in article (27) at the date of enactment of this Law, should comply with the provisions of the Law and its executive decisions within six months from the date of promulgating the Executive Regulations. This period may be extended for another six months by the Authority's Board of Directors.

Section Two

Investment Funds

Article (35)

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

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

The Investment Fund should be incorporated as a joint-stock company, the capital of which should be paid in cash. The majority of the Fund's board members should not be from investors therein, or from those who are affiliated to, or those who are associated with the Fund, or beneficiaries of such Fund.

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

Article (36)

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

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

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

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

Article (37)

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

- 1. investment policies.**
- 2. annual dividends distribution manner and how capital gains shall be dealt with.**
- 3. name and business history of the entity proposed to manage the Fund's activity.**
- 4. method of periodical valuation of the Fund's assets and procedures of redeeming investment certificates.**

Article (38)

All the securities held by the Fund shall be deposited in one of the banks which are under the supervision of the Central Bank of Egypt. Such a custodian bank shall not own or hold shares in the company of the Fund, or the company which is managing its investments. The Fund shall provide the Authority with a statement identifying such securities, on the form prepared by the Authority's Board, and verified by the custodian bank.

Article (39)

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

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

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

Article (40)

The Fund shall be audited by two auditors chosen from those registered in a special registry maintained by the Authority; this registry is prepared in consultation between the Authority and the Central Auditing Organization. A single auditor cannot audit more than two Funds at the same time.

Provisions of Article 6 of this Law shall govern the Investment Fund even if it is not offering its securities for public subscription.

Article (41)

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

(*)Section Three The Securitization Companies

Article (41) bis

- **The Securitization Company is an entity allowed to conduct the business of issuing marketable bonds whose scope is the financial rights (assets), payments that are due upon maturity and the related collateral.**
- **For the purpose of this law, this type of company shall be treated as one of the companies that operate in the field of securities.**
- **The assigned rights, payments payable upon maturity, and the collaterals shall be referred to as the Securitization Portfolio.**
- **The business of Securitization referred to above shall be the sole corporate object of this type of company.**
- **The Board of Directors of the Capital Market Authority must authorize a company to be assigned more than one portfolio or more than one issuance of bonds and subject to the rules and procedures adopted by the said Board.**

Article (41) bis 1

- **The Securitization Portfolio shall be assigned by virtue of an agreement between the assignor and the assigned Securitization Company in accordance with the standard form prepared by the Authority for this purpose.**
- **The assignment must be enforceable, immediate, unconditional, and transfer all the rights, payments payable upon maturity, and collaterals. The assignor must also guarantee the existence of all rights at the moment of the conclusion of the**

(*) Chapter Three of Law 95/1992 was added in accordance with Law 143/2004.

assignment agreement. However, the assignor shall no longer be liable for the payment of any right subsequent to the completion of assignment to the Securitization Company, the CMA has to be notified of the assignment and a summary of this assignment has to be published in at least two daily newspapers of wide circulation, one of which has to be in the Arabic language.

The assignor shall continue to collect the sums under the assigned rights and due payments and exercise all of the Securitization Company's rights *vis-à-vis* the debtors for the benefit of the holders of the bonds issued by the said Company. The assignor's collection and exercise of rights shall be in the capacity as the Company's agent. In the presence of any other concluded agreement contrary to the foregoing, the debtors bound by the rights, payments, and collaterals under the assigned rights shall be notified by virtue of a registered letter with return acknowledgement of receipt.

- The assignment shall always be enforceable and legally valid without the need to obtain the debtor's permission or notification.

Article(41) bis 2

- The payment of the nominal value of the bonds that the Securitization Companies issues and its coupons shall be paid from the proceeds of the Securitization Portfolio and within the limits of these proceeds. The foregoing applies unless other contractual credit enhancement in addition to the said proceeds secures payment.

The Securitization Company has to submit a credit rating for the Securitization Portfolio, which may not fall below a certain rating as mandated by CMA.

- The Securitization Company shall deposit the documents indicating the assignment of the Securitization Portfolio and the collected sums subsequent to the deduction of the Company's entitlements and the cost of the operation of Securitization for the benefit of the bondholders with a custodian who is licensed in accordance with the Securities Central Depository and Registry Act.
- The said custodian shall invest the deposited sums subject to agreement with the Securitization Company and in accordance with the rules and procedures under the executive regulations for this law.
- The sums, documents, securities and commercial noted deposited with the custodian in accordance with the provisions under this Article shall belong to the bondholders. The said items shall not form part of the Securitization Company's estate or the general guarantee¹¹ for the creditors of the assignor or the Securitization Company.

¹¹ i.e. *damman a'am* or *gage commun ou général*

- **The bondholders shall not be entitled to enforce a judgment for the recovery of rights other than against the Securitization Portfolio. They shall not be entitled to the right of recovery against the Securitization Company's assets.**

Article (41) bis 3

- **The Securitization Company shall perform its obligations with the diligence expected by a prudent person in the process of preserving the bondholder's rights.**
- **The assignor shall be bound to perform with similar diligence if it continues to collect the assigned rights for the account of the Securitization Company**

Article (41) bis 4

- **The provision of Article 40 of this Act shall apply to the Securitization Company.¹²**

Article (41) bis 5

- **The Executive Regulations to this Act shall determine the duties of the Securitization Company and the books and records it has to keep.**
- **The foregoing is in addition to the requirements applicable for the other types of companies that operate in the field of securities.**

Article (41) bis 6

- **The assignment of the Securitization Portfolio shall be exempted from the stamp tax.**

Article (41) bis 7

- **The assignor shall disclose to the Securitization Company all the information and data related to the Securitization Portfolio without being restricted by the provisions applicable for the secrecy of bank accounts under the Central Bank, Banking Establishment, and Currency Act number 88 of 2003, which shall not apply.**

¹² In brief, Article 40 of the Capital Market Act regulates matters related to auditing performed by two auditors selected from among those listed on a registry prepared by the Capital Market Authority for this purpose. This Article also refers to Article 6 which deals with the delivery of a bi-annual statement and the result of a joint stock company's activities showing the correct financial position to the Capital Market Authority, etc.

Article (41) bis 8

- **Without violation to Article 12 of this Act,¹³ the joint stock companies other than securitization companies shall be entitled to issue bonds that are allocated for the payment of the nominal value of the said bonds and dividends by a separate portfolio of the company's financial rights together with its attached guarantees.**
- **Except for the holders of the Securitization bonds to recover from the company's assets, the company and the Securitization Portfolio shall be subject to the provisions under this Chapter.**
- **The foregoing shall all apply in accordance with the rules under the Executive Regulations.**

¹³ Article 12 provides that the issuance of registered or to bearer bonds or other financing instruments and securities requires the approval of the company's general assembly and in accordance with the rules and procedures under the implementing regulations. The general assembly's approval must cover the amount of the payable dividend and the manner of its calculation. The restrictions related to this matter under any other law are inapplicable. The approval of the Capital Market Authority is required for the public offering of the said items

CHAPTER FOUR**CAPITAL MARKET AUTHORITY****Article (42)**

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

Article (43)

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

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

Article (44)

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

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

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

The Board shall be assigned, in managing the authority the responsibilities specified by Law 73 of 1976.

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

Article (45)

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

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

Article (46)

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

Article (47)

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

- A. **Appropriations allocated by the State.**
- B. **Fees levied by the Authority pursuant to the provisions of this law.**
- C. **Charges for services provided by the Authority.**
- D. **Fines stated by the provisions of this law.**

- E. National and international loans and grants as approved by the Board, and authorized by the duly competent authorities concerned.**

Article (48)

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

Article (49)¹⁴

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

¹⁴ A Minister of Justice Decree # 2831 of 1994 has been issued giving some of the Authority's staff a juridical central officers status.

CHAPTER FIVE
SETTLEMENT OF DISPUTES

Article (50)

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

Article (51)

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

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

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

Article (52)¹⁵

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

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

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

In all cases, decisions of the Arbitration body shall be final and enforceable, unless otherwise suspended by the Court of Appeal.

¹⁵ The Supreme Constitutional Court has on 13-1-2002 given a ruling considering texts of Articles 52-62 of Law 95 of 1992 as unconstitutional.

Article (53)

The chairman of the arbitration body shall, within ten days from the date the disputers having appointed their arbitrators, set date and place for the session. The office of arbitration shall notify the disputers of the date and place at least one week beforehand.

Article (54)

The Arbitration Office shall use wireless and express registered mail as means of communication with the parties concerned.

Article (55)

The arbitration body shall examine the disputed case as soon as possible without being restricted by the regulations of the Civil and Commercial Procedure Law except where it relates to the guarantees and basic principles of litigation; it should conclude its decisions in a period not exceeding 30 days.

Article (56)

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

Article (57)

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

Article (58)

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

Article (59)

Arbitration fees shall be governed by the rules for judicial fees as per the civil articles, at a maximum of LE.100000 (one hundred thousand).

Article (60)

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

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

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

Article (61)

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

Article (62)

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

CHAPTER SIX
PENALTIES

Article (63)

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

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

Article (64)

Without prejudice to any severer penalty stipulated in any other law; imprisonment for a term not less than two years, and a fine of not less than Twenty Thousand Pounds (LE.20000), and not exceeding Fifty Thousand Pounds (LE.50000), or either penalty, shall be inflicted on any person who divulges a secret, which is in his possession by virtue of his duties in accordance with the provisions of this Law, or has benefited, he, his spouse and his children, from insider information of his work, or who used material misstatement, or omitted any material information in reports, submitted by him, to the extent that it affects the results contained in such reports.

Article (65)

Without prejudice to any severer penalty stipulated in any other law, any person who violates the provisions of articles 6,7,17,33, and 39, and the second

paragraph of article 49 of this law, shall be liable to penalties of imprisonment, and a fine of not less than Twenty Thousand Pounds (LE.20000), and not exceeding Fifty Thousand Pounds (LE.50000), or by either penalty.

(*)Article (65) bis

The delay in delivery of the financial statements and in complying with the rules of disclosure dealing with listing and de-listing of securities referred to under Article 16 of this Act shall be penalized by a fine of two thousand pounds (L.E.2000) for each day of delay.

The Chairman of the Capital Market Authority or whomever delegated thereby shall be entitled to settle this offence against the payment of half the payable fine.

The settlement agreement shall extinguish the criminal action.

Article (66)

Any body who disposes of securities contrary to the provisions of this Law shall be liable to a fine not less than Five Thousand Pounds (LE.5000) and not to exceed Ten Thousand Pounds (LE.10000).

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

Article (67)

Without prejudice to any severer penalty stipulated in any other law, whoever contravenes any of the rules stipulated in the Executive Regulations of this law shall be liable to a fine not less than Two Thousand Pounds (LE.2000) and not to exceed Ten Thousand Pounds (LE.10000).

Article (68)

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

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

Article (69)

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

Such a penalty shall be imperatively inflicted in case of repetition.

(*) Article (65) bis of the Capital Market Law no. 95/1992 was added by Law no. 143/2004.

Chapter Seven
ACCESS TO DOCUMENTS AND FEES

Article (70) ¹⁶

Every concerned person shall have the right to submit an application to the Authority to have access to documents, registers, reports and minutes relating to the company, and obtain information, or authenticated copies thereof, against payment of fees amounting to fifty Pounds (LE.50) for each document, or a statement in case of viewing, and one hundred Pounds (LE.100) for each copy thereof.

Article (71)

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

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

Article (72)

The company, which is incorporated according to the provisions of this law, shall pay to the Authority an incorporation fee of one per thousand of its issued capital, with a minimum amount of Five Thousand Pounds (LE.5000), and a maximum amount of Fifteen Thousand Pounds (LE.15000), and an annual charge for the services rendered by the Authority of two percent of the company's issued capital, at a minimum amount of One Thousand Pounds (LE.1000), and a maximum amount of Five Thousand Pounds (LE.5000).

¹⁶ Amended by Law No. 10 of 1995 published in the Official Gazette no.12 dated 23-3-1995 the text of which before amendment reads

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

Article (73)¹⁷

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

¹⁷ Amended by Law No. 10 of 1995 published in the Official Gazette No. 12 dated 23-3-1995 the text of which before amendment reads :Companies which issue securities, shall pay to the Authority a fee of one per thousand of the value of each issue, with a maximum amount of Ten Thousand Pounds (LE.10000)

CHAPTER EIGHT

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

Article (74)

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

The Executive Regulations shall specifically stipulate the following:

1. conditions to be met by companies wherein employees shall be entitled to establish the Federation.
2. types of shares which members of the Federation may own, their evaluation procedures, conditions and rules governing trading and dispensation thereof, and the right of employees regarding these shares during their term of service, and at termination of service.
3. conditions to be met by the Federation, its functions, the entity in charge of its management and the means available to the management.
4. the Federation's financial resources

The Federation may obtain loans, grants, or subsidies for the purpose whereby it was established.

Article (75)

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

The format pertaining to the statute of the Federation shall be provided by the Authority's Board of Directors.

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