

## Capital Market Law

<b>Overview</b>	<p>The Capital Market Law No. 95 of 1992 regulates the capital markets in Egypt and grants the Capital Market Authority (CMA) the legal authority and status necessary to ensure the effective execution and enforcement of securities market legislation and regulation.</p>
<b>Main Provisions</b>	<p>Any company intending to issue securities must notify the CMA, which then has three weeks in which to review the proposed securities issuance. For a public issuance of securities, a company must prepare a prospectus approved by the CMA and provide the CMA with periodic reports and information relating to such public issuance of securities.</p> <p>Any company offering part of its shares in a public bid or offering or trading at least 30 per cent of its shares on the stock exchange must inform all shareholders owning at least 1 per cent of the company's capital of any other shareholder wishing to increase his shareholding to more than 10 per cent.</p> <p>The Capital Market Law also allows the issuing company to set a return on securities that exceeds the limits established by previous laws (e.g. the 7 per cent ceiling stipulated in the civil code).</p> <p>The Capital Market Law provides that securities transactions may only be undertaken by financial services companies licensed by the CMA. Board members of such companies must have a minimum of five years' experience in the field of securities or four years' experience along with completion of a training course set up by the CMA.</p>
<b>Types of Securities Regulated by Law No. 95</b>	<p>The Capital Market Law determines which companies may offer their shares to the public and which companies may deal in securities. It regulates the following types of securities-related activities:</p> <ul style="list-style-type: none"><li>▪ Promotion and underwriting of securities investments</li><li>▪ Formation of companies that issue securities and activities that increase the capital of such companies</li><li>▪ Venture capital activities</li><li>▪ Securities clearance and settlement activities</li><li>▪ Creation of securities portfolios and investment funds as well as portfolio and investment fund management</li><li>▪ Securities brokerage activities</li></ul> <p>Any other activities relating to the field of securities may be added to this list by a ministerial decree with the approval of the CMA.</p>

**Registration of  
Joint Stock  
Companies**

Joint stock companies must register with the stock exchange in either Cairo or Alexandria. A joint stock company's securities can be listed in the official or the unofficial register. The following securities may be listed in the official register:

- Public issuance of securities representing no less than 30 per cent of the joint stock company's nominal shares with no fewer than 150 subscribers
- Public issuance of securities by the government or a public sector company

Securities that do not meet the criteria for listing in the official register (including foreign securities) may be listed in the unofficial register. Investors dealing in securities that are listed in the official register are exempt from stamp duties ordinarily due at the time the securities are issued, annual stamp duties and capital gains tax on profits from trading such securities.

**Issuance of  
Securities**

The capital of joint stock companies and the shares of dormant partners in companies with a limited number of shares must be divided into nominal shares of equal value. The company, however, may issue bearer shares within certain limits and according to the following rules:

- The company's articles of association shall determine the value of the nominal shares, but the nominal share cannot be valued at less than EGP 5 or more than EGP 1,000.
- New shares may be issued when the capital of the company increases by a different amount from that of shares from previous issues.
- A single share is indivisible.
- When issuing shares against a real share or on the occasion of merger, the value of shares should conform to the value of the real share or the merged rights, as determined by the evaluation committee. The party submitting the real share, however, may pay the difference in cash or decline the deal.
- No stocks or securities of any company, including public business sector companies or public sector companies, shall be floated for public subscription without a subscription prospectus, approved by the CMA and published in two prominent daily newspapers, at least one of which is an Arabic-language publication.

**Obligations of  
Listed Companies**

In order to secure the rights of investors and users of financial statements, listed companies must make available the following information on their financial standing and business results:

- Copies of financial statements, reports of the Board of Directors and the auditors' report, to be submitted to the CMA one month prior to the date scheduled for convening the general assembly meeting

- Summaries of the semi-annual reports and annual financial statements, to be published in two leading daily newspapers, one of which is an Arabic-language newspaper

The balance sheet and other financial statements of the company shall be prepared in accordance with the accounting criteria and auditing standards determined by or referred to in the Executive Regulations of the Capital Market Law.

### **Investment Funds**

The Capital Markets Law stipulates that an investment fund must take the legal form of a joint stock company. The CMA has the authority to review and veto the proposed members of an investment fund company's Board of Directors as well as its fund managers. An investment fund must be managed by a specialized investment management company.

The Capital Market Law stipulates that an investment fund must maintain a certain ratio between its paid-in capital and its financial resources. Only banks that have been authorized by the Minister of Foreign Trade and Industry may deal in the subscription of investment fund shares.

Banks and insurance companies may establish investment funds, without creating a separate joint stock company, if they have received authorization to do so from the CMA and either the CBE (in the case of banks) or the General Organization for Insurance Supervision (in the case of insurance companies).

The obligations of and restrictions on brokerage companies are set out in the Executive Regulations of the Capital Market Law, Decree No. 39 of 1998.

### **Obligations and Restrictions of Brokers**

Brokerage companies are required to disclose any conflict of interest that may arise; and they are prohibited from disclosing any information regarding their clients. Article 244 of Decree No. 39 of 1998 (Insider Trading Rules) stipulates that brokerage companies, their directors and employees are expressly prohibited from engaging in insider trading by using non-public information for personal gain, as follows:

- Brokerage companies may not execute transactions on behalf of their clients without sufficient evidence justifying their advice and the resulting transactions.
- Brokerage companies are prohibited from "churning" (i.e. entering into transactions for clients who participate in excessive trading, with the aim of increasing commissions, expenses or other fees).
- Brokerage companies may only deal on behalf of their clients in transactions for which they have been granted specific instructions. These instructions must be recorded by the brokers.

- The client must be informed of the completion of a transaction within 24 hours.
- Transactions on behalf of the brokerage companies' directors, employees or relatives are permitted only with the explicit written consent of the Board of Directors of the brokerage company.

**Employee  
Shareholders  
Associations**

The Capital Markets Law also introduces the concept of employee shareholders associations, through which employees of a joint stock company may form a body that owns company shares on behalf of the employees.