

Decree of the Minister of Foreign Trade
Decision No. 383 For Year 2004

**Amending Some Provisions of the Executive Regulation
of the Capital Market Law No. 95 of 1992.**

Minister of Foreign Trade:

After reviewing the Capital Market Law 95 of 1992;

The Presidential Decree No. 51 of 1997 governing the Cairo & Alexandria Stock Exchanges (CASE) and their financial matters;

The Executive Regulation of the Capital market Law issued by Decree of the Minister of Foreign Trade No. 135 of 1993;

Central Registry & Depository Law No. 93 of 2000; and

After consultation with the Capital Market Authority (CMA);

Seal of the Minister of Foreign Trade, it was decided that

Article 1

The following Articles shall be added to the Executive Regulation of the Capital Market Law.

Article 89 Bis

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

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

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

Article 89 Bis (A)

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

Article 89 Bis (B)

Types of Membership shall be as follows:

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

Article 89 Bis (C)

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

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

Article 89 Bis (D)

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

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

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

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

Article 89 Bis (E)

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

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

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

Article 89 Bis (F)

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

Article 2

Members of the Exchange shall adjust their statuses according to the above articles and the Membership Rules of the Exchange, within 6 months from the day the Decree comes into force. The Minister may, upon the recommendation from the CMA, extend this period for another term not exceeding 6 months.

Article 3

This Decree shall be published in the Official Gazette and shall come into force on the next day of its publication.

Signed by the Minister of Foreign Trade
Dr. Youssef Boutros Ghali
19 July 2004

Membership Rules of the Cairo & Alexandria Stock Exchanges

Members Qualifications and Admission Procedure

Article 1

Only companies registered with the CMA and authorized thereby to perform intermediation activities, will be admitted to Membership on the Exchange.

Article 2

Admission to Membership of the Exchange is decided on the basis of an application addressed to the competent Membership Committee of the Exchange as described in Article 4 of these Rules. Such application shall be set by the Exchange and approved by the CMA.

Article 3

The Membership application shall be signed by the authorized representative of the applicant and stamped by its seal.

The application must contain the following documents;

1. An official copy of the applicant's commercial registry.
2. Copy of the applicant's most recent by-laws.
3. Original copy of the CMA's License to perform capital market activities related to securities.
4. A list of any penalties charged by the CMA to the applicant or any of its existing or past employees.
5. If the applicant has not yet carried out any activities, a statement evidencing the applicant's compliance to fulfill its obligations in due time to Misr Clearing Settlement and Depository and the Committee of the Settlement Guarantee Fund.
6. The address of the principal business of the company and addresses of its branches inside Egypt and abroad.
7. Shareholder's Structure and a list of the Board of Directors' of the Member and its legal representative and their addresses and resumes.
8. If the applicant is owned or controlled by, or under common control with one or more persons or entities not included in a legal body of

the applicant, then the applicant must provide the names and addresses of such person (s) or entity (ies) and such information as to clearly show their financial and business relationship with the applicant.

9. Details of the applicant's holdings in other corporate entities affiliated or related thereto, and the shareholder structure of these companies and a list of its members of the Board and legal representatives with their addresses and resumes.
10. A document evidencing that the applicant's legal representatives, managers and employees, have no criminal record.
11. A current copy of the company's business plan, or the documents showing its existing and proposed business activities.
12. Details regarding the structure of the applicant listing the names of all employees and their responsibilities and for those who are brokers, deal directly with customers or are in a management position, certificates confirming their professional competency.
13. Proof of electronic facilities starting from the company's ability to maintain separate accounts of customers (general, cash, credit and securities accounts), entering and executing orders, connecting electronically to the Exchange's Trading System, maintaining customer accounts that are linked electronically with Misr Clearing Settlement & Depository and the ability to issue invoices and balance statements.
14. Declaration by the applicant's legal representative of its responsibility that the above information and documents are correct and valid and its commitment to provide the Exchange with any changes that might occur thereto.

All documents must be submitted with the Applicant's stamp.

The Exchange may verify with the competent authorities to ensure that the information and statements presented are correct and is entitled to take the necessary actions stated in the Executive Regulation, if the Exchange discovers that that the data or statements referred to are untrue or incorrect.

Article 4 Membership Committee

The Board of the Exchange will decide on the members of the Membership Committee which will be composed of nine Members and presided by the Chairman of the Exchange.

Membership shall be as follows:

1. Six from the members of Board of Directors of the Exchange.
2. One of the Department Heads at the Exchange.
3. One of the legal counsels of the Exchange.

The Committee shall be responsible for reviewing membership application and ensuring it meets the requirement and pertains the necessary documents stated in the Rules, and shall render a decision thereon.

The Committee shall notify the applicant within 15 days from the date of submission of the application with the necessary documents and information according to these Rules. The Committee shall render its decision within 30 days of the day the application has been submitted with the required documents and data.

The applicant shall be notified within 3 days form the date the decision has been issued. The Exchange shall notify the CMA with decisions of Membership within one week from its issuance.

Article 5

Members shall pay Membership duties and fees as stated in Article 19 of the Law. The duties shall be paid upon submission of the application and fees shall be paid no later than 31 January of each year.

Article 6

The Membership Committee meets upon invitation of its Chairman at least once a month and whenever is necessary. The meeting shall only be valid if the majority of its members are present. Decisions of the Committee shall be taken by majority.

The Chairman of the Exchange shall choose one of the Exchange employees to be Secretary of the Committee, who will assist the Committee in performing its functions.

The Membership Department shall be the executive arm of the Committee responsible for Members' positions and membership procedures. The Committee presided by the Secretary, shall discuss and review membership applications and their enclosed documents determining the activities of the company. The Membership Department shall prepare a written opinion on the application, which should be submitted to the Committee no later than one week form the date of submission of the application with complete information and required documents.

Article 7 CASE's Authority in ensuring Members' Compliance

Without prejudice to the powers and rights conferred to the CMA and stated in the Law and the Executive Regulation, the Committee is entitled to take the actions stated in the Executive Regulation to ensure the proper compliance of the Member as per the Rules & Regulation related to the Member's activity.

The Exchange shall notify the CMA with any information regarding the violations by Members or their officers or managers.

Article 8 Term & Termination of Membership

Membership shall be terminated in the following cases:

- Wind-up of Member's legal status.
- Termination of the license to perform the activity on the Exchange.
- Liquidation of Member's business as per Article 33 of the Law.

Without prejudice to the provision of this Article, a Member may terminate its Membership upon the submission of a request to the Exchange three months prior to the requested date of termination, provided the Member has fulfilled all its obligations to its customers, to other Members and to the Exchange.

The Board of Directors shall render its final decision based on the presentation of the Membership Committee. The request for termination will only be taken into account if the Member has fulfilled its obligations referred to above.

Article 9 Membership Categories & Members' Functions

Without prejudice to the provisions of the Executive Regulation, Membership consists of:

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

Article 10: Members' Activities

- 1- Undertaking Cash only, not deferred Trading.
- 2- Bonds' intermediation and brokerage after acquiring the necessary training and passing CASE exam in this respect.
- 3- Orders market- Over –The- Counter.
- 4- Ownership Transfer Market- OTC.
- 5- Remote Trading.
- 6- Settlement of transactions.
- 7- Promotion and implementation of public and private offerings.

- 8- Custodianship.
- 9- Beneficiary Ownership according to the provisions of the Central Registry and Depository Law.
- 10- Margin Trading (financing Margin Trading Operations).
- 11- Primary Dealers.
- 12- Any capital market activity decreed by the competent Minister according to Article 27 of the Law.

Article 11 Requirements for Members Activities' Permission

Members' ability to perform any of the activities stated in Articles 9 and 10 of these Rules shall be based on the Membership Committee's decisions, and provided the following requirements are met:

1. Ability to maintain at all times the net capital requirements based upon which the license has been granted.
2. Provide electronic facilities as decided by the Exchange's Board of Directors namely; the automated submission of trading data related to opening separate accounts for each customer, enter and execution of orders, link and connection to the Exchange's Trading System and ensuring its proper operation, holding customers' accounts and electronic linkage with the Clearing & Settlement Depository System and the ability to issue invoices and balance statements.

Article 12 Annual & Quarter Financial Statements

Members are required to submit to the Exchange their financial statements within 90 days of the end of the fiscal year and their quarterly financial statements within 45 days of the end of the quarter. All financial statements shall be prepared according to the Egyptian Accounting Standards.

Article 13

Secondary loans shall not be calculated in the Members' net capital unless the requirements stated in Article 292 of the Executive Regulation are met.

Members Obligations

Article 14 Members Duty to Report

A Member must notify the Exchange immediately if:

- a. Any legal action is brought against the company, officer or employee of the company which is related to the business activities of the company;
- b. Any significant change is made in the management of the company, organization of the company, or legal form of the company;

- c. Any changes that occur in the company's shareholders structure.
- d. The company becomes insolvent or ceases to settle its debts.
- e. If criminal proceedings or prosecution proceedings are filed against any founder, officer, manager or employee of the company; and
- f. The extension of credit to a customer exceeds the limits required for Members to carry out a certain activity.

Article 15: Registration of Brokers and Other Employees.

- a. Employees of Members must be registered with the Exchange in a form prescribed by the Exchange. No unregistered person may execute any transactions on the Exchange nor deal with Member's customers.
- b. The application for registration must contain the following information for each applicant:
 - A recent document proving legal eligibility;
 - A record of employment and supported testimonial that the applicant has not been disciplinarily charged by the CMA or the Exchange, and a statement that the applicant has not been declared bankrupt within the previous five years;
 - The academic record of the applicant; and
 - A pledge that the registered person will abide by the Law, Rules, Regulation Decisions of the Exchange.
- c. All applicants may be required to pass an examination administered by the Exchange and designed to ensure the individual's knowledge of Exchange Rules and Procedures as well as the Trading System.
- d. The Exchange shall notify the CMA within seven days of registration of those persons registered with the Exchange and authorized to execute transactions thereon.

Article 16 Nominal Employment

No Member may employ any person in a nominal position on account of business obtained by such person, or in violation to any Law, Rules and Regulation of the Exchange.

Article 17 Prohibition Against Guarantees

No Member shall guarantee, directly or indirectly, a customer against loss in any account or in any securities transaction executed by the Member for such customer, or previously agreed with the customer on a profit margin.

Article 18 Fair Dealing With Customers

Members are prohibited from conducting the following:

- a. The unauthorized use customers' funds or commingling the firm's cash accounts with that of customers.
- b. Use or borrowing of a customer's physical accounts without a contract or his written authorization.
- c. Use of customer's name without a contract or his written authorization.
- d. Giving preference to any customer's account over other customers including the assignment of more favorable transactions thereto without regard to the priority in which the executions were made.
- e. Establishing fictitious accounts to execute some transactions.
- f. Providing incomplete, inaccurate or misleading information to a customer.
- g. Giving recommendations or information to customers leading to excessive transactions on a customer's account for personal interest or to obtain commissions.
- h. Disclosing customer's information or acting in a way that would harm the customer or any other party.

Article 19 Customers' Orders

All orders entered by customers must contain the following information:

- a. The date and time of entry;
- b. The security name and quantity to be bought or sold;
- c. The terms and validity period of the order;

A customer's order may be entered by any of the following means;

1. In person on the premises of the Member.
2. By fax pursuant to the written agreement between the Member and the customer.
3. By telephone, in which case, the order must be recorded by the Member if the Member and customer have agreed to enter orders by telephone and provided the relevant procedures are respected.
4. By e-mail.

Article 20 – Risk Management

Each Member shall have in place a risk management department in charge of risk management – this department is responsible for studying, identifying the risks that the Member may be exposed to and the management tools to overcome it, as well as determining the Member's Capital Adequacy and verifying that the Member maintains it. The Member shall set the proper systems that ensures the efficiency of that Department by using the necessary formulas & software to determine percentages of acceptable risks.

Article 21 Automated Systems of the Member (Handle Data Electronically)

Each Member must maintain the appropriate systems and technology to enter customers orders and receive reports and trading data electronically from the Exchange's Trading System. Members must also maintain the required electronic link facilities with the Exchange & the CMA and maintain a back-up system for data to prevent any problems in his electronic systems.

Article 22 Supervision & Internal Controls

Each Member shall establish & maintain a system to supervise and ensure compliance of the activities of its officers, brokers & employees. Final responsibility for proper supervision rests with the Member.

The supervisory system shall provide for written procedures to be established, maintained and enforced that are designed to supervise the types of business in which the Member is involved. The procedures must identify the individual supervisory persons, the Compliance Officer and their titles and qualifications. The Member shall have the responsibility and duty to ascertain by investigation the good character, business repute, qualifications and experience of any person assigned as a broker or employee directly involved in the securities business.

Article 23 Supervisors' or Compliance Officers' Reporting Requirements

Compliance officers responsible for supervision at the Member origination shall report to the Exchange any legal violation within 24 hours of their knowledge of such violation and propose the appropriate remedy thereto.

Article 24 Suitability of Members' Employees

Members shall thoroughly investigate the previous records of persons they contemplate employing in the securities business including brokers and persons who regularly handle or process customer's accounts and persons having supervisory responsibility over persons engaged in such activities.

The Exchange may require at any time the name, actual duties, resumes and the appropriate information regarding any person employed by a Member in the securities business to permit the Exchange to ensure compliance with its rules.

Article 25 Relationship with Exchange Employees and Employees of Other Financial Institutions

1. A Member shall neither make an employment contract, nor shall it enter into any other similar contractual relationship with an employee of the Exchange, or of any other Member, no matter whether a wage, stipend or other form of remuneration is or is not paid in connection with such relationship, even outside working hours.
2. No Member shall give any compensation or gratuity in any form to any employee of the Exchange, or of any other Member.

Article 26 Regular Internal Reviews of Records

Each Member shall conduct a review, at least annually, of the securities business in which it engages based on the records prepared for that purpose. The review shall be reasonably designed to assist in ensuring that transactions were validly executed and customer accounts are correct, as well as detecting and preventing, violations of, and achieving compliance with the Exchange's Rules and Regulations. Each Member shall prepare a report pertaining the review of the activities of each office or branch, which shall include the periodic examination. Each Member shall maintain a written record and the dates upon which each review was conducted.

Article 27 Dealing based on Insider Trading

Insider Trading means information of a specific nature that was not announced to the market as a whole and was announced only to a specific group or a number of entities, which means that the market was not aware of this material and important information, which could have an impact on the prices of traded securities.

No Member or employee of a Member by virtue of its or his participation it's or his participation in the organization, management or part of the internal supervisory body, or supervising the process of issuance of shares a company, or who has access the information by virtue of the exercise of his employment profession or duties who possesses insider information of transferable securities shall take advantage of that information by obtaining or disposing of for its, or his own account or disclose such insider information-either directly or indirectly – to a third party.

Article 28 Price Manipulation and Illegal Market Dealings

- Members shall not participate in any dealings or practices that may mislead or deceive investors, affect or artificially control the price of the securities or the market in general.
- Members shall not alone or with others enter orders in the trading system of the stock exchange with the purpose of creating a misleading or a false appearance of the trading volume or liquidity of any security. No

member shall enter orders with the purpose of fictitiously affecting the market condition or the prices without any real ownership transfer.

- Members shall not alone or with others, make fictitious transactions that may cause the price of a security to rise, fall, or remain steady.
- Members shall not directly or indirectly carry out or depend on actions or practices that are misleading or meant to deceive or take advantage of customers or anybody else.
- Members shall not alone or with others enter orders on a specific security affecting its price rise, fall, or remain steady for a certain purpose such as; to change the price of investment value for personal benefits, evade or decrease taxes or reach a certain price previously agreed upon with other parties, with the intent of violating the law, regulations, code of conduct or ethics such as raising the price of a security to obtain credit.

Article 29 Front running and Trading Ahead of Customers

Members shall not take advantage of an order or a block transaction, that may influence the price of a security, issued by a customer or a group of customers, nor shall the Member trade ahead of customers –in the same direction of their orders– before said customers have executed their orders, which may result in the Member profiting from and illegally taking advantage of the customers. Member is prohibited from making any deals or recommendations to others to trade in the same direction of the orders before the execution thereof.

Article 30

Members shall apply Law No. 80 for the year 2005 concerning Anti-Money Laundering, its executive regulation and regulation issued by the CMA in this regard.