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Press Release Concerning the Procedures to Be Undertaken by the Egyptian Financial Supervisory Authority (EFSA) to Resume Trading on the Egyptian Exchange (EGX)

Referring to the arrangements undertaken to resume trading on EGX, on a date to be decided soon, and following the ongoing discussions and consultation between the Ministry of Trade and Industry, EFSA, EGX, Misr for Central Clearing, Depository and Registry (MCDR), market participants and investor's associations; EFSA emphasizes that despite the importance of resuming trading on EGX soon, to ensure continuity of business, creditability of the Egyptian market, and allowing investors to trade, both EFSA and EGX decided to suspend trading until the necessary temporary measures and conditions prior to resuming trading are fulfilled, in order to protect investors' rights, in particular retail investors.

The date of resuming trading will be determined taking into account being open for business as soon as possible as well as protecting investors and market participants' rights. The decision will be based on certain measures and mechanisms that will be implemented to limit the expected sharp turbulences in the market and allowing a gradual returning to the normal course of operations. These measures were categorized under five groups in order to achieve the following objectives:

- To mitigate the negative impact of the high volatility when trading is resumed.
- To mitigate the negative impact on retail investors who bought on margin or financed their transactions through member brokers (via credit).
- To set procedures in order to stimulate market demand.
- To ensure the strict implementation of the decisions issued by the General Prosecutor Office regarding the blocking of bank and stock exchange accounts of certain individuals.
- To provide assistance to the member firms operating in the capital market and their employees.

First: To mitigate the negative impact of the high volatility when trading is resumed:

Please note that these measures will be applied for a week from the date of resuming trade, and their continuation will be assessed by the end of the week.

- 1) The trading session hours will be from 10:30 a.m. till 1:30 p.m.
- 2) There will be no discovery session prior to the trading session.
- 3) Introducing a new circuit breaker on EGX 100 index, whereby trading suspension will take place for half an hour after a 5 percent change in the index value. In case of a 10 percent change, trading will be suspended until EGX Chairman decides to resume trading. There were previously no circuit breakers on EGX indices.
- 4) The price limits on the listed shares will be amended, according to which trading will be suspended on a stock for half an hour after a 5 percent change, and will be

- fixed and trading will continue till the end of the trading session after a 10 percent change.
- 5) Reducing the minimum percent of the net liquid capital for member broker firms with respect to the capital adequacy rules to 5% of their obligations instead of 10%, with the capital adequacy form provided on a daily basis. Member firms are required to adjust the financial adequacy within a maximum of five working days in order to meet the needs of their margin trading clients.
 - 6) The intra-day trading will be suspended, with the inclusion of the amount deposited for this activity in the calculation of net working capital of member broker firms.
 - 7) Suspension of margin trading and credit purchases.
 - 8) EFSA will continue to receive subscription and redemption requests of mutual funds certificates in accordance with the provisions of the Law and the funds' prospectuses if legal requirements are met.
 - 9) The price limits on NILEX listed shares will be reduced to 5 percent daily.
 - 10) Listed companies are required to disclose the ownership of any of the individuals who are prohibited from trading by the General Prosecutor Decision together with their operational, financial and administrative status prior to or during the first days of trading.

Second: To mitigate the negative impact on retail investors who bought on margin or financed their transactions through member brokers (via credit):

1. Requiring member broker firms to notify MCDR with the shares purchased on credit or margin before resuming trading.
2. Limit the sale of customers' pledged shares as per the margin trading rules or as per the purchase on credit agreement, in accordance to the conditions, controls and measures set to protect retail investors, set by the Investor Protection Fund, which manages this funding after the approval of EFSA, without prejudice to the customers' rights to sell their shares if they so wish.

Third: To set procedures to stimulate market demand:

1. Coordinate and support the initiatives launched by the Egyptian citizens, which encouraged the public at large to invest in the Egyptian bourse, given its importance in the Egyptian economy and the presence of good investment opportunities in the medium and long term.
2. Accept requests to buy treasury stocks and facilitate the procedures for companies requesting the purchase of their treasury stocks.
3. Encourage the initiatives of the major financial national institutions and entities in Egypt to support demand in the market.
4. Communicate with the international and regional organizations, including

exchanges' federations, financial institutions, investment banks, mutual funds, stock exchanges to clarify these temporary measures.

Fourth: To ensure the strict implementation of the Decisions by the General Prosecutor:

1. Communicate with member broker firms through EGX, custodians through MCDR, fund managers and investment bankers through EFSA, regarding the decisions of the General Prosecutor so that they undertake the necessary actions and procedures to prevent the trading of securities by the individuals on the prohibition List announced by the General Prosecutor Office, whether by themselves or by proxy or by an authorization.
2. Suspension of the codes of the individuals on the prohibition list, which was sent to EGX by the General Prosecutor Office and informing the General Prosecutor Office with these codes.
3. Freezing the accounts of the individuals on the prohibition list through MCDR.
4. Addressing all local and international custodians via MCDR to prevent any settlement of the transactions that belong to the individuals on the prohibition list and taking the necessary actions regarding freezing their accounts in the settlement process.
5. EGX has prepared a list of all the local and foreign "offshore funds" in less regulated markets and has together with EFSA, required all member broker firms and fund managers to provide the Exchange with any of these funds that have shareholders among the prohibition list.
6. Informing the various Egyptian regulatory bodies and the Anti-Money Laundering Unit within the Central Bank of Egypt (CBE) with the list of all offshore funds listed on less regulated markets that are coded on EGX in order to investigate them with the international regulatory authorities.
7. Providing to the General Prosecutor Office with a report that includes all the transactions exceeding LE 5 million (buying and selling), which took place at the previous week prior to suspension of trading, for review and advice. It is worth noting that EGX Surveillance Division did not detect any suspicious or illegal trading during that period.
8. Suspension of the transfer of GDRs for the individuals among the prohibition list and suspending the transfer of GDRs over the period when trading was suspended in coordination with the Anti-Money Laundering Unit of the CBE.

In that respect, EFSA would like to clarify that all the suspension orders (freezing orders) of those under investigation whose names were published in the media, will not affect the trading in the shares of the companies in which they are shareholders or own a significant stake, since these companies are independent juristic entities, the matter which was confirmed by the General Prosecutor Office. In other words, the restriction is only on the individuals' personal accounts and not on the shares of the companies in which they are shareholders.

Fifth: To provide assistance to the member firms operating in the capital market and their employees:

1. Coordinate with the member broker firms in order to benefit from the financial support provided by the Ministry of Finance to the premises destroyed within the early days of the Revolution, where the member firm can apply for compensation from the Ministry directly or through EFSA, which will transfer their request to the Ministry.
2. Provide funding for the member broker firms from the Settlement Guarantee Fund to be used for their current operations in order to protect the rights of their employees until they can resume operations fully.
3. Undertake the necessary legal procedures in order to reduce EGX, MCDR and EFSA fees within the next three months in order to assist member broker firms in maintaining their staff.

Finally, the EFSA would like to emphasize that the Egyptian Exchange (EGX) is considered as one of the leading exchanges in the region, not only on the regulatory and supervisory front but also with respect to the volume of activity and the range of services provided, in addition to the adoption of the best practices in terms of disclosure and governance practices.

EFSA would also like to highlight that the fluctuation in stocks prices is normal and this reflects the political and economic conditions in the country, in addition to the companies' performance.

Despite the fact that EFSA refrains from making any comment on the stock prices performance, it confirms its confidence in the appropriate systems that are currently in place in the Egyptian capital market as well as its strong commitment to market surveillance and integrity.

EFSA is also available to receive any complaints from market participants, which enable it to take necessary actions towards better supervision and regulation of the market. EFSA is confident that the gradual and expected political stability will result in the stability and advancement of the capital market in Egypt.