

**EFSA Board Decision No. 121/2010**  
**The Principle Standards for Professional Performance by the Companies Acting  
as Financial Consultants in the Field of Securities**

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**EFSA Board of Directors**

After reviewing Capital Market Law No. 95/1992 and its Executive Regulations, Non-Banking Markets and Financial Instruments Control Law No. 10/2009, CMA Chairman's Decision No. 41/2007, dated 20/3/2007, regarding the Consultants' Listing Controls, and  
The memorandum submitted to the EFSA at its session held on 18/10/2010, it was

**Decided**

- Article (1)** The entities and companies acting as financial consultants and are listed or desiring to be listed in the pertinent EFSA registry shall apply the hereto attached principle standards for professional performance.
- Article (2)** The entities and companies, which are listed or desiring to be listed in the financial consultants registry at the EFSA, shall provide the EFSA with guidelines containing an obligation to comply with the standards referred to in Article (1). Guidelines shall be provided upon submission of listing applications or within six months from the day following the date of publishing this Decision.
- Article (3)** This Decision shall be enforced as of the day following the date of publication on the EFSA website, and the competent sectors and administrations shall apply same, each in its scope of specialty.

Dr Ziad Bahaa El-Din  
Board Chairman

## **The Principle Standards for Professional Performance by Companies Acting as Financial Consultants in the Field of Securities**

**NB:** In the following standards, any company acting as a financial consultant shall be referred to as the "company" and its employees as the "analysts"

### **First: Corporate Standards**

#### 1-1 Credibility and Integrity of the Company

Article (1) No company shall be entitled to practice the activity of financial consultancy on securities without obtaining a practice-precedent license from the EFSA

Article (2) The company shall prepare a general guideline describing the procedures undertaken to render the financial consultancy, analyses and research services as well as a guideline on the professional ethics and work controls applied by the company.

Article (3) The company, in the course of dealing with customers, shall abide by the principles of honesty, care for customers' interest, equal treatment for employees with similar positions, avoidance of the conduct of granting privileges, incentives or private information to some customer either directly or indirectly and denying same to the others, and avoidance of any action that may cause harm to any customers.

Article (4) The company shall set an internal control system preventing the analysts from carrying out any appraisals with false or misleading results.

#### 1-2 Independence and Avoidance of the Conflict of Interest

Article (5) The company shall confirm due fulfillment of independence conditions, including the non-existence of any common interest or conflict of interest with the applicant, the appraised company or any parties affiliated thereto, if the pertinent contract is concluded on the basis that the company shall act as independent financial consultant.

Article (6) The company shall immediately disclose to the EFSA any suspicion of conflict of interest between the company and the other appraised company or any affiliates thereto.

Article (7) The company, the analysts and any other affiliate parties shall not provide any financial, legal, accounting or technical consultancy

services to the appraised company or its affiliates during the six months preceding the date of contracting as independent financial consultant. In case of purchase offers, such obligation shall be extended to include the non-provision of financial services to the purchase offerer and the target company for a period of six months as of the expiry date of the offer period with respect to the offers that have been denied and three months from the expiry date of the offer period with respect to the offers that have been accepted. Moreover, the company shall ensure that no common interest or conflict of interest with the parties associated with the transactions requested to be served by the company for the purpose of completion, if such company shall act as independent financial consultant; otherwise the company shall be required to disclose the nature of relationship to the EFSA.

Article (8) The company, its managers, analysts or any parties affiliated thereto shall not deal on the securities subject of appraisal based on information or data not disclosed in the market or not available to all other dealers, even if such information or data is not complete during period of appraisal and whether or not this information is related to imminent dealing on these securities or having material impact on the trading price of securities or on the financial positions of issuers.

Article (9) The company shall be deemed as financial consultant for the entity requesting financial consultancy as of the date on which the company is assigned to prepare an appraisal report in favor of the said entity. The company, moreover, shall be deemed as knowledgeable of the transactions under appraisal and linked with all parties of these transactions.

Article (10) The company shall avoid any conflict of interest that may arise in the course of practicing activities.

#### 1-3 Analysts

Article (11) The company shall appoint analysts having sufficient experience and know-how in the field of appraisal and analysis of securities for the purpose of determining the fair market value thereof.

Article (12) The company shall not have the salaries, bonuses and fees of analysts linked with any profits gained or losses sustained by the transactions-related parties as a result of the reports issued by those analysts.

Article (13) The company shall not have the salaries, bonuses and fees of analysts linked with the results of the reports and studies prepared by them.

Article (14) The company shall keep the reports completely confidential and use same only for their specified purpose. The company shall further require its analysts to maintain the reports' confidentiality and shall not permit them to show the results of their studies to any affiliate parties working in the field of investment.

Article (15) The company shall provide its analysts with a professional development program meeting their needs and job requirements in accordance with the latest developments in their field of activity.

## **Second: Standards for Financial Consultancy and Appraisal Services**

Article (16) The company shall confirm due availability of the sources, information and data that are valid and sufficient for issuance of financial consultancy reports, and shall further verify availability of a sufficient number of analysts qualified for preparing such reports. In the cases where appraisal, in some aspects thereof, is based on limited historical data and information, the company shall state- in prominent place in the report- that the appraisal and analysis is limited in such aspects. In all cases, the company shall hold discussions and raise queries so as to avoid any suspicion that the used information and data are not valid or correct. In case the company obtains data or information from the customer under appraisal or its representatives, the sources of this data or information must be revealed in the report, and the company shall obtain a letter from the customer under appraisal confirming the validity and soundness of this data and information.

Article (17) The company shall adopt a systematic approach to research, analysis and appraisal, duly formulated in accordance with the internationally recognized practice.

Article (18) Without prejudice to the provisions of Capital Market Law No. 95/1992 and its Executive Regulations, the company shall keep the registries and documents used for preparation of appraisals for a period of not less than five years from the date of submission of appraisal reports to the applicant entities.

- Article (19) The company shall document the approaches used for analysis, appraisal and study, and keep same for a period of not less than five years from the date of submission of appraisal reports to the applicant entities.
- Article (20) The company shall consider unifying the sources of data and information regarding similar studies. In case these sources are changed, the company shall disclose the reasons for change in the most recent report applying such change. The company, moreover, shall not navigate between data and information sources and means of appraisal for the purpose of achieving certain results in the study subject of appraisal report.
- Article (21) The company shall declare the scope of sufficiency and credibility of the data and information used for preparing the appraisal report, and if the company has provided due care to confirm that there is no information or data other than that used for the appraisal report.
- Article (22) The company shall disclose any suspicions about the information used for preparing its report, which suspicions shall be clearly defined in a prominent place in the report.
- Article (23) The company shall develop an elaborate system for reviewing the means of appraisal, the generally used forms and the important changes that may occur to these means and forms, which review shall be carried out with absolute independence from any financial consultancy services performed by the company to its customers.

### **Third Standards for the Reports Submitted by the Company**

- Article (24) The company shall undertake the procedures required for preventing issuance of any requested analysis or appraisal reports containing misleading or false information on the fair market value of the appraised company or any other related financial data.
- Article (25) The company shall disclose the following information in a prominent place in the appraisal report:
1. The reasons for preparing the report, the scope of liability of analysts, and the scope of reliability of the information used in the report.
  2. The sources of data and information used for preparing the report, including the appraisals and forecasts.

3. The presumptions on which the appraisals, analyses and forecasts contained in the report are based.
4. A confirmation that the presumptions, on which the appraisals, analyses and forecasts are based, represent reasonable grounds for the appraising, analyzing and forecasting processes.
5. The company's opinion as to whether the appraisals, analyses and forecasts would be reasonable if based on the presumptions applied in the study.

#### **Fourth: Disclosure and Information Confidentiality Standards**

Article (26) Without prejudice to the legally prescribed rules of disclosure, the company and all insiders therein shall not disclose any confidential information regarding the reports prepared. The company and its analysts shall act with due care in maintaining the confidential information, including the price forecasts and appraisals, and shall further undertake the procedures required to prevent leakage of any information that may have impact on the trading and pricing of the securities owned by the parties subject of report.

Article (27) The company shall disclose to the EFSA the following:

1. Any pending or potential conflict of interest between the company and any entities operating in the securities market, which disclosure shall be made prior to carrying out the appraisal and preparing the appraisal report.
2. The proportion of the fees collected from the entity requesting appraisal and its affiliates to the gross revenue annually achieved by the company.
3. Any relationship between the company and the other companies operating in the field of securities in the Egyptian market, provided that such relationship shall be disclosed by the company prior to commencement of activities and upon occurrence of any changes to the disclosed information.

Article (28) The company shall, prior to practice activities, declare that:

1. The reports issued by the company or any employees therein are fair and honest.  
The EFSA shall be notified forthwith of any changes that may occur to the information contained in the listing application and the declarations attached thereto.