The Central Bank of Egypt's Hikes Key Interest Rates and Commits to a Flexible Exchange Rate

By Omar Sherif, Malak Mounir and Fatima Tahoun

In an effort to safeguard economic conditions, the Central Bank of Egypt ("**CBE**"), in an exceptional meeting on Wednesday 6th of March 2024, raised the CBE's overnight deposit rate, the overnight lending rate and the rate of the main operation by 600 basis points ("**bps**") to reach unprecedent rates of 27.5%, 28.25% and 27.75%, respectively. The CBE has also raised the discount rate by 600bps to reach 27.75%.

The CBE's special monetary policy committee meeting's statement ("**MPC's policy**) stems from the current inflation rates remaining above the CBE's expected inflation target of 7% (±2 percentage points), for 2024's 4th quarter, and to contain the demand-side pressures.

In complementary endeavors to mitigate inflationary pressures and tightening the gap between the parallel exchange rates, the CBE has allowed the exchange rate to be determined by the market forces, thus transitioning to a supply and demand-driven system. leaving the forces of supply and demand to determine the value of the Egyptian pound ("**EGP**") against other foreign currencies.

New Law Publishes the Executive Regulations for the Federation of Tourism Chambers

By Dr. Moataz El Mahdy and Zaina Morad

Introduction

In 2023, the Ministry of Tourism issued Law No. 27 of 2023 (the "**Initial Law**") regarding the establishment of tourism chambers and their federation. Prior to the Initial Law, the most recent law regulating the tourism sector was issued in 1968. However, as globalization created a progressively higher demand in the tourism industry, the regulatory gaps were becoming increasingly apparent in practice.

The establishment of tourism chambers and their federation through the Initial Law aims to address the fragmentation of the tourism sector, regulate the sector more efficiently, and, ultimately, boost the sector's growth. Now, by virtue of Law No. 27 of 2024 (the "**ER**"), the Executive Regulations governing the coordination and management of these tourism chambers and their federation have been established. We will delve into the key highlights of the ER below:

Key Highlights

Building on the Initial Law, the ER further clarifies the goals of the tourism chambers in more detail. The tourism chambers aim to preserve the common interests of their members and represent them before public authorities, whilst assisting the public authorities in the revitalization of the tourism sector. Moreover, they shall seek to develop sustainable tourism initiatives by studying the challenges facing the sector and building mechanisms to tackle them.

Some of the key aspects stipulated by the ER are the criteria, procedures, and timeframes for establishing a tourism chamber through the federation. With regards to the management of these tourism chambers, the ER specified the requirements for convening the chambers and federation's general assembly and board of directors' meetings, as well as the voting procedures and appointment of members to their boards of directors and their representatives in the federation. The ER also defined the capacities and duties expected of each chamber's executive director as well as the federation's executive director.

Moreover, the ER sets out a series of procedural and document requirements for any entity registering in the tourism chamber under which its activities fall.

In addition, the conditions and procedures for the merging, separation, and dissolution of a chamber are clarified in the ER.

Market Reaction

The Minister of Tourism, Mr. Ahmed Issa, expressed that the establishment of tourism chambers and the organization of a federation for them is in alignment with governmental efforts to harmonize between the public and private sectors to strengthen the role of the private sector in the industry. Ultimately, the ER aims to provide more practical and effective regulation of the tourism chambers and federation, boost their efficiency, and ensure the smooth running of the industry as a whole.

FRA Issues New Amendments to the EGX Listing Rules

By Omar Sherif and Alexandra Arida

In an effort to encourage the listing of securities on the Egyptian market, the Financial Regulatory Authority ("**FRA**") issued Decree No. 23 of 2024 (the "**Decree**") amending FRA Decision No. 11 of 2014, which regulates rules for listing and delisting securities (the "**Listing Rules**") on the Egyptian Stock Exchange (the "**EGX**").

The Decree was published in the Official Gazette on 12 February 2024, and entered into force on 13 February 2024.

The Decree aims to amend the listing requirements pertaining to Egyptian companies wishing to list their shares on the EGX. The key highlights of the Decree can be summarized as follows:

Increasing the Minimum Issued Capital Requirement

The Decree amends the provisions of Article 7 of the Listing Rules to increase the minimum issued capital requirement from EGP 50,000,000 to EGP 100,000,000, which must be fully paid up.

Companies' Net Profits and Shareholder Equity Requirements

The Decree further provides that Egyptian companies wishing to list their shares on the EGX must have a net profit before taxes for the financial year preceding listing must exceeding 5% of the paid-up capital intended for listing. Further, the net profit before taxes must be generated from the company's activities. Additionally, the shareholders' equity, as reported in the latest financial statements preceding the date of the listing request, must not be less than the paid-up capital.

Market Reaction

Dr. Mohamed Farid, Chairman of the FRA's Board of Directors, has noted that the FRA, in collaboration with the EGX, has amended the listing rules extensively without compromising investors' rights to transparency. Further, Dr. Mohamed Farid added that the amendments will undoubtedly require a considerable amount of time to materialize, given that the human element is the key factor in the development process. [Link]