

The National Council for Wages Sets a New Minimum Wage for Employees in the Private Sector

By Mariam Fahmy and Zaina Morad

The National Council for Wages (the “**NCW**”) decided to set a new minimum wage for private-sector employees, and on 26 October 2023 the Minister of Planning and Economic Development issued Decree No. 90 for the year 2023 (the “**Decree**”) outlining the new minimum wage and the annual increment that private-sector employees will benefit from.

The NCW is a public body, and its current structure is established by virtue of Prime Ministerial Decree No. 2659 for the year 2020. The NCW is mandated with setting minimum wages for the public and private sectors. In addition, the NCW is also responsible for reviewing the minimum wages set thereby on an annual basis.

The Decree comes in alignment with the Egyptian government’s efforts to establish social justice in labor relations, to preserve workers’ right to a good quality of life, to boost establishments’ production, and to ensure healthy work environments in accordance with international and local standards.

Key Highlights

According to the Decree, the NCW has set a minimum wage for employees working in the private sector amounting to EGP 3,500 per month starting from 1 January 2024. The Decree further provides that private-sector employees will receive an increment of 3% of the employees’ social insurance wage, and not less than EGP 200, for the fiscal year 2024.

It should be noted that, according to published news, in response to a request presented by the Minister of Social Solidarity, Dr. Nivine El Kabbag, the NCW agreed to exempt certain non-profit organizations from the provisions of the Decree due to their funding being based primarily on donations.

Market Reaction

In addition to working in alignment with social justice principles set by President Abdel-Fattah El Sisi, an increase in the minimum wage and the annual increment was relatively necessary and inevitable, considering the economic situation and inflation rates. Ultimately, the Minister of Planning and Economic Development, Dr. Hala El-Said, stated that the increase in the minimum wage is expected to provide relief for low-income earners, seeing as the increase amounts to approximately 10% of the social insurance wage, which is an unprecedented raise.

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New FRA Decree Regulating the Licensing and Establishment of Financial Technology Startups Undertaking Non-Banking Financial Activities

By Mariam Fahmy and Alexandra Arida

Following the issuance of the Fintech Law No. 5 of 2022 (the “**Fintech Law**”), the Financial Regulatory Authority (“**FRA**”) has issued decree No. 268 of 2023 (the “**Decree**”) regulating the establishment and licensing requirements of fintech startups wishing to undertake certain non-banking financial activities.

According to the Fintech Law, entities wishing to undertake non-banking financial activities must establish a company and obtain a license from the FRA in accordance with the criteria to be set by the FRA. In this regard, the Decree regulates the establishment and licensing requirements of fintech startups wishing to undertake the following non-banking financial activities: (i) real estate financing; (ii) small and medium enterprises financing; (iii) micro-financing; (iv) financial leasing; (v) factoring; and (vi) consumer financing.

The Decree was published in the Official Gazette on 2 January 2024 and has entered into force as of 3 January 2024.

We outline below the key issues of the Decree:

Incorporation Requirements for Fintech Startups Undertaking Non-Banking Financial Activities

According to the Decree, in order to incorporate a fintech startup undertaking the non-banking financial activities outlined in the Decree, entities must fulfill certain criteria, including but not limited to: (i) incorporating an Egyptian joint stock company; (ii) a minimum issued and paid-up capital of EGP 15,000,000 per activity; and (iii) a minimum of 25% of the entity's shares must be owned by technology or financial technology specialists, whether individuals or legal entities.

Fintech Non-Banking Financing Activities Licensing Requirements

The Decree further outlines the requirements for obtaining the necessary license from the FRA. Entities wishing to undertake fintech non-banking financial activities outlined in the Decree are required to submit an application to the FRA, together with certain information and documents, including but not limited to: (i) an undertaking to commence undertaking the activity by no later than two months from the date the license is issued; (ii) undertaking to obtain the FRA's approval prior to establishing any of the entity's new branches; (iii) undertaking to finalize the issued and paid-up capital increase procedures in accordance with the relevant decisions of the FRA regulating the relevant financial activity within a maximum period of two years from the date of obtaining the license; (iv) undertaking that the entity's financial leverage shall not exceed 4 times the net equity until the final license is obtained; and (v) undertaking that the entity shall obtain an insurance policy against technological risks.

Non-Banking Financing Activity Licensing Fees and Duration

Entities wishing to obtain a non-banking financial activity, as outlined in the Decree, license are required to pay a licensing application evaluation fee of EGP 25,000.

The Decree provides that non-banking financial activity licenses shall be valid for a duration of two years, until the successful fulfillment of the final licensing prerequisites. The final license must be obtained within a maximum period of two years from the date of incorporating the fintech startup, and after increasing the



startup's capital in compliance with the regulations applicable to the relevant non-banking financial activity, provided that the equity rights do not fall below the minimum capital requirements.

Market Reaction

The Chairman of the FRA, Dr. Mohamed Farid, stated that the Decree is a further manifestation of the FRA's endeavors to assist startups in the development and expansion of their businesses so that they may contribute to the national economy. These startups perform significant and impactful functions not only within the Egyptian economy but also in numerous economies across the world [\[Link\]](#)



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FRA Decree Sets New Regulations on Margin Trading

By Omar Sherif and Zaina Morad

Introduction

The main legislation regulating stock brokerage firms and custodians engaging in margin trading on the Egyptian Stock Exchange (the “**EGX**”) is Decree No. 67 of 2014 (the “**Margin Trading Decree**”) issued by the Egyptian Financial Regulatory Authority (the “**FRA**”). Past amendments introduced in 2022 and 2023 presented increasingly more comprehensive rules for margin trading, which were consistently in alignment with government efforts to develop margin trading markets in Egypt.

On the 8th of November 2023, the FRA issued Decree No. 245 of 2023 (the “**Decree**”), which introduced a series of amendments to the initial decree. Through these amendments, the government aims to simplify procedures and manage the risks associated with margin trading. We will delve deeper into the key highlights below.

Key Highlights

Auditors’ Obligations

Brokerage firms or custodians must notify the FRA, EGX, and Misr for Central Clearing, Depository and Registry (the “**MCDR**”) of the amount set aside for margin trading (including the supporting loans allocated for this purpose, if any). The Decree sets additional obligations on the custodian’s or brokerage firm’s auditor to verify the availability of the amount set aside by issuing a report, and providing the FRA and the EGX with the relevant information and documents evidencing the same whenever requested.

Securities as Guarantees

The customer may place securities as guarantees at the disposal of the brokerage firm or custodian. However, in doing so, the brokerage firm or the custodian must notify MCDR of this placement for the purpose of establishing the annotations and reservation of these securities for the benefit of the brokerage firm or the custodian.

Single Customer Debt Thresholds Lowered

The Decree set new thresholds for the single customer’s debt which now must not exceed 10% (instead of 15% previously) of the funds available for margin trading, provided that the customer and its related parties’ debt does not exceed 15% (instead of 20% previously) of the funds set aside for margin trading. The new thresholds are applicable to tradings transacted following the Decree’s enforcement date – the 7th of December 2023.

Definition of “Related Parties”

The Decree expands on the definition of “related parties” to include any group of customers under the actual control of the same natural or legal persons. The definition includes natural persons and their relatives up to the second degree; legal persons consisting of two persons or more (where the majority of its shares or quotes are owned directly or indirectly by another party or by one person); and any holding, affiliated, or sister companies.



Rights and Procedures regarding Annotations

The brokerage firm or the custodian may recover indebtedness from the securities presented as a guarantee in the case that the client does not fulfill the debt incurred from purchasing on margin, provided that, (i) the agreement between the brokerage firm or custodian and the client must stipulate the former's right, in specific cases, to execute all procedures for the sale of the securities and the enforcement of the guarantees; and (ii) the brokerage firm or the custodian must notify MCDR of the sale of the securities, for the purpose of removing the annotations and reservation of these securities presented as guarantees.

Market Reaction

The Chairman of the Board of Directors of the FRA, Dr. Mohamed Farid, stated that the FRA's attaches great importance to improving and developing trading mechanisms in the stock market and create favorable conditions to aid companies and individuals in exploring opportunities for growth and expansion in the non-banking financial sector. Ultimately, the Decree aims at reducing the risk of customers' inability to pay the debts incurred from margin trading.

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New FRA Decree Modifying the Licensing Requirements for Banking and Non-Banking Financial Institutions to Undertake Investment Fund Activities

By Mostafa El Zeky and Alexandra Arida

In an effort to broaden the scope of entities permitted to participate in investment fund activities, the Financial Regulatory Authority (the “**FRA**”) issued Decree No. 223 for 2023 (the “**New Decree**”), amending Decree No. 58 of 2018 (the “**Decree**”) regulating the licensing requirements for banking and non-banking financial institutions to undertake investment fund activities.

The Decree was published in the Official Gazette on 14 December 2023 and entered into force on 15 December 2023.

The key highlights of the Decree can be summarized as follows:

Expanding the scope of entities authorized to undertake investment fund activities

The New Decree has introduced additional entities that are now eligible to undertake investment fund activities in conjunction with, among others, banks, investment banks and insurance companies. These entities consist of micro, small and medium enterprise financing companies, as well as consumer finance entities.

Amending the requirements for entities permitted to undertake investment fund activities

The New Decree has modified and introduced additional prerequisites that companies must fulfill if they intend to undertake investment fund activities. Said new amendments include (i) the approval of the board of directors of banks, insurance companies, and companies establishing companies to undertake the activity of issuing securities or that increase their capital for the purpose of undertaking investment fund activities. Further, companies managing and issuing securities portfolios and managing investment funds must obtain the approval of the extraordinary general shareholder assembly (ii) the obligation to set aside an amount equal to 2% of the investment fund's value, up to a maximum of five million Egyptian pounds, provided that the set-aside amount is utilized to subscribe to the fund's securities. Further, proof of deposit of the said amount must be supplied to the entity receiving the subscription.

Subscription to investment funds timeline

The New Decree has allowed to end the subscription period in case of full subscription to the investment fund securities after five business days (instead of ten business days) from the commencement of the subscription period.

Amendments to the investment funds supervisory committee composition

According to the Decree, entities undertaking investment fund activities are required to establish a supervisory committee mandated with monitoring the funds' operations which is composed of five members. The New Decree has allowed supervisory committees to consist of a maximum of nine members instead of five.



Market Reaction

The amendments introduced by the New Decree, according to Dr. Mohamed Farid, Chairman of the FRA, are intended to aid the FRA's endeavors to enhance the business climate in the non-banking financial sector. Dr. Mohamed Farid further added that the New Decree was promulgated subsequent to the Authority's consultations with all stakeholders in the capital market, during which the objective was to establish uniform regulations governing the operation of investment funds, without any differentiation based on the specific fund categories. [\[LINK\]](#)



Consumer protection measures regarding essential goods

By Sharif Shihata & Malak Mounir

In light of the current economic turmoil, consumers have faced restricted distribution and hoarding of essential goods by manufacturers and distributors. As a result, Egyptian Prime Minister Mostafa Madbouly issued Decree No.5000/2023 (the “**PM Decree**”) stipulating for greater protection for consumers against such risks. Following suit, the Minister of Supply & Internal Trade (the “**MSIT**”) issued a follow-up Decree No. 200/2023 (“**MSIT Decree**”) the next day, regarding measures to ensure that essential food products provide the consumer with all information and details related to the product (the two decrees are hereinafter collectively referred to as the “**Decrees**”).

Scope of Application of the PM Decree

The PM Decree introduced seven food products determined to constitute essential goods as referred to in Article 8 of the Consumer Protection Law (the “**Law**”). The Law stipulates that the hoarding of essential goods is prohibited (whether by concealing them, not offering them for sale, refusing to sell them, or by any other means). The PM Decree applies Article 8 to the following goods:

- Mixed oil
- Fava beans
- Rice
- Milk
- Sugar
- Pasta made from white flour
- White (Feta) Cheese

The PM Decree states further that merchants in possession of such goods must notify the MSIT of the type and quantity of such goods stored by them, and shall observe the rules and procedures mandated by the MSIT with regard to the supply of such goods to consumers.

Requirements pursuant to the MSIT Decree

The MSIT Decree requires merchants in possession of the goods referred to in the PM Decree to issue sales tax invoices including the following data, in accordance with the laws governing electronic invoices:

- Type of product/good
- Quantity
- Date of production
- factory sale price
- Maximum retail sale price

Starting from March 1, 2024, such merchants shall also label all such goods with the maximum retail sale price (including tax and any other financial burdens) in Arabic in clear and prominent script which cannot be erased. Retailers shall also display the retail price of such goods on the counter beneath the display, with the retail price not exceeding the maximum retail sale price.



In addition, on the first Sunday of each month, the merchants referred to above shall provide the MSIT with the following information regarding each of the goods:

- Description of the product/good
- Maximum retail sale price
- Production Date
- Quantity of production
- Volume of local sale
- Stored quantities of such goods
- A list of the merchants with whom the company deals (distributors, wholesalers, retailers) and the sale price to each of them

The MSIT shall, in turn, notify the Consumer Protection Authority of the maximum retail sale price for each of the goods, as received from the merchants.

Sanctions for Failure to Comply

In case of failure to comply with the provisions of the PM Decree, the merchant shall be subject to imprisonment for one to three years and a fine of EGP 100,000 to EGP 2 Million or the value of the goods in question, whichever is greater.

In case of failure to comply with the provisions of the MSIT Decree, the merchant shall be subject to the penalties set forth in the laws regulating such matters.

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Granting New Incentives to Industrial Investment Projects

By: Dr. Moataz El Mahdy and Mohamed Nour

On 30 December 2023, Cabinet Decree No. 77 of 2023 was issued, which grants new tax incentives to some industrial investment projects under the Investment Law No. 72 of 2017 (the “Decree”).

We highlight below the key points of the Decree.

Key Points

The Investment Projects, and their expansions in the industrial field producing certain targeted products resulting in an increase in production shall enjoy certain incentives and benefits in accordance with the Decree. According to the Decree, an Investment Project is productive if the production of certain determined products exceeded 50% of its turnover.

The investment project must be based in one of the following regions:

- The Economic Zone of the Suez Canal;
- The Economic Zone of the Golden Triangle; and
- The areas in most need of development including South Giza Governorate, Governorates in the Suez Canal Region such as Port Said, Ismailia, and Suez, Border Governorates which include Red Sea Governorate from Southern Safaga and Upper Egypt Governorates, in accordance with Ministerial Decree No. 7 of 2020.

Moreover, 50% of the investment projects' fund should consist of foreign funds. The foreign fund includes the following:

- Foreign fund transferred via Egyptian banks used for the establishment of the Investment Project;
- Foreign currency transferred via Egyptian banks used for the subscription in the Investment Project's capital in Egypt;
- Machineries, tools, primary materials, supplied goods and transportation equipment exported from outside of Egypt for the establishment of the Investment Project;
- Profits transferrable outside of Egypt used for the establishment of the Investment Project.

The Decree introduces three categories of incentives based on the percentages of external financing for the project:

- **35% Category:** Projects financed with 50% to 75% foreign currency are entitled to a 35% tax credit on the income generated from industrial activities;
- **45% Category:** Projects financed with 75% to 90% foreign currency qualify for a more substantial 45% tax credit on income generated from industrial activities;
- **55% Category:** Projects financed with over 90% foreign currency enjoy 55% tax credit on the income generated from industrial activities.

On the other hand, it is important to mention that an investment project shall not benefit from the aforementioned incentives in the event that any of its shareholders and/or founding shareholders participated in an Investment Project by using the material assets of an active company during the validity of the Decree, or (ii) liquidated a company by or before 6 years with the purpose of establishing an Investment Project to benefit from the tax incentive.



The incentives shall be cancelled immediately in any of the aforementioned events together with the obligation to return the incentive value in addition to an amount calculated based upon the insurance and discount rates issued by the Central Bank of Egypt.

Market Reaction

Following the promulgation of the Decree, Egyptian economists are expecting a sort of financial improvements as a result of the investors' confidence in the Egyptian market by adding new financial tools and granting further incentives.



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