

New Amendments to the Civil Aviation Law's Executive Regulation

By Omar Sherif, Alexandra Arida, and Malak Sobhy

The Minister of Civil Aviation has issued Decree No. 1103 of 2024 (the “Decree”), amending certain provisions of the Executive Regulation of the Civil Aviation Law No. 28 of 1981 (the “ER”).

The Decree was published in the Official Gazette on 12 October 2024 and entered into effect the following day.

The Decree amends and adds new provisions to paragraph 7 of Article 122 (bis) of the ER, which outlines conditions for companies wishing to undertake air transportation activities.

We shall delve into the key highlights of the Decree as follows:

Aircraft Production Age Limit Increase

The Decree increases the production age limit for aircraft used in air transport activities. Aircraft with a takeoff weight exceeding 5700 kilograms, seeking registration with the Egyptian General Aircraft Registry, may now be up to 25 years old, rather than the previous limit of 20 years. This extension allows for operational flexibility for airlines, while ensuring that safety and maintenance standards remain uncompromised.

Introduction of Production Age Limits for Helicopters

The Decree further introduces specific production age limits for helicopters. Accordingly, helicopters with a takeoff weight of 3175 kilograms or less, are subject to a production age limit of 15 years, while helicopters with a takeoff weight exceeding 3175 kilograms are subject to a maximum production age limit of 20 years.

Notwithstanding the above, the Decree grants the Minister of Civil Aviation discretion to waive the helicopter production age limits, provided that a certificate of airworthiness is issued for the helicopter in question.

Market Reaction

The Decree is expected to give rise to different reactions from various stakeholders including airlines and aircraft leasing companies. The same are expected to welcome the amended age limit for larger aircraft and encourage the flexibility offered to new entrants. However, the Decree is also expected to raise maintenance and safety concerns, despite its emphasis on the same.

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Financial Regulatory Authority Enhancing Customers' Protection against Companies Operating in Securities

By: Mostafa El Zeky and Haythem Hamdy

Introduction

On the September 29, 2024, the Board of Directors of the Egyptian Financial Regulatory Authority (“**FRA**”) issued Decision No. 212 for 2024 (the “**Decision**”) amending FRA Decision No. 61 for 2017 in relation to protection of accounts of clients of companies operating in securities (the “**Original Decision**”).

Key Highlights

The Decision adds a restriction to the Original Decision. Such restriction obliges all securities brokerage firms, securities portfolio formation and management companies and companies and other entities licensed to act as custodians (the “**Companies**”) not to allow any deposits or transfers between the accounts of its own clients held with the same Company except from the relevant owner of the account.

An exception is made in case of transfers or deposits which occur between spouses or relatives up to the second degree.

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Framework for the Election of Companies' Representatives in the Board of the Investor Protection Fund

By: Omar Sherif, Passant Ashraf and Haythem Hamdy

Overview

On the 29th of September 2024, the board of the Egyptian Financial Regulatory Authority ("FRA") issued Decree No. 213 of 2024 (the "Decree") establishing the framework for electing representatives of companies operating in the field of securities and financial instruments, or listed on the Egyptian Stock Exchange (the "EGX").

These representatives will serve in the Investor Protection Fund's (the "Fund") Board of Directors from non-commercial risks. The decree is part of an ongoing effort to improve market integrity, increase transparency, and ensure that companies are accountable to high standards, promoting investor confidence.

We will delve into the different eligibility requirements based on the nominating entity:

Brokerage Firms

According to the Decree, brokerage firms interested in nominating candidates must have operated in the licensed activity for at least 3 consecutive years. Further, their activity must not have been suspended due to regulatory actions, nor should they have been subject to financial coverage by the Fund for unpaid obligations within the last 3 years.

Further, all dues to the Fund must have been settled. Also, their nominee should not aggregate board membership in EGX or MCDR.

Representatives of Brokerage Firms

A broker's nominee must, *inter alia*, be appointed as a board member of the brokerage company. Further, for custodians, the nominee must be responsible for the main activity within the nominating bank. The candidate must hold a higher education degree.

The nominee's years of experience in the relevant sector must not be less than 7 years and must have a clean legal record, with no prior convictions or ongoing investigations. Also, their nominee should not aggregate board membership in EGX or MCDR.

The nominee will be interviewed by the FRA for this purpose.

Listed Companies on the EGX

Nominations to the Fund's board must be made by listed companies not subject to mandatory or voluntary delisting. Further, nominating companies must not have previously required the intervention of the Fund to cover their obligations due to failure to meet them on time, unless three years have passed since the date of the Fund's intervention to cover such obligations.

Nominating companies must not have been subject to any financial penalties resulting from violations of the listing rules of the EGX within the three years preceding the nomination. In addition, all the Fund's dues must have been settled by the company before the nomination is made.

Representatives of Listed Companies

A listed company's nominee must, *inter alia*, be appointed as a board member of the company for at least one year preceding her/his nomination. The candidate must hold a higher education degree.

The nominee should not aggregate board membership in EGX or MCDR and must have a clean legal record, with no prior convictions or ongoing investigations



According to the Decree, Companies operating in the field of securities or listed companies, their subsidiaries, or Fund member companies under the actual control of the same natural/juristic person are not permitted to nominate more than one candidate for membership in the Fund's board of directors.

Further, the FRA is the authority overseeing the nomination process. Applications, including supporting documents, must be submitted to the Fund, with the FRA verifying the eligibility of each nominee. Preliminary lists of eligible candidates will be published on the EGX and the Fund's websites, with an opportunity for stakeholders to review and appeal any decisions within 3 days of publication.

Market Reaction

The Decree represents a significant step in aligning Egypt's regulatory practices with international standards, promoting investor protection, and strengthening market stability. While some companies may initially face challenges in meeting these requirements, the overall market reaction is expected to be favorable, with benefits including enhanced investor trust, market integrity, and potentially greater investment inflows over time.

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New Fuel Prices Announced for Gasoline, Diesel and Mazut

By Mostafa El Zeky and Malak Sobhy

Introduction

On October 17, 2024, the Minister of Petroleum and Mineral Resources issued Decrees No. 1760, 1761 and 1762 for 2024 (the “**Decrees**”) establishing new pricing for gasoline, diesel, compressed natural gas (“**CNG**”) and mazut, which were published in the Official Gazette on the same day, and came into effect the following day (i.e. October 18, 2024).

We shall delve into the key highlights of the Decrees as follows:

Gasoline Price Increases

Decree No. 1760 for 2024 increases prices for several grades of gasoline:

- 80-octane gasoline: EGP 13.75 per liter.
- 92-octane gasoline: EGP 15.25 per liter including VAT.
- 95-octane gasoline: EGP 17.00 per liter including VAT.

Diesel and Kerosene Prices

Decree No. 1760 for 2024 also encompasses prices for diesel and kerosene (all including VAT):

- Diesel price (ordinary specification) has been set at EGP 13.5 per liter for several uses including electricity generation and service stations.
- Kerosene (ordinary specification) is now priced at EGP 13.5 per liter.

CNG Price Set for Vehicle Use

According to Decree No. 1761 for 2024, the price of CNG used in vehicles (ordinary specification) is now EGP 7.00 per cubic meter including the applicable stamp duty.

Mazut Prices

According to Decree No. 1762 for 2024:

- The price of mazut for the general industry is EGP 9,500 per ton delivered to distribution depots for brick kilns, cement industry, and other sectors and uses.
- The price of mazut for the food industries determined by the Minister of Trade and Industry remains at EGP 1,500 per ton.
- The price of mazut is EGP 6,500 per ton delivered to electricity and energy production companies that sell their electricity to companies affiliated with the Ministry of Electricity and Renewable Energy.

Market Reaction

The Decrees are a part of the government’s strategy to phase out subsidies under its International Monetary Fund backed reform program. While government officials and economists defend the move as essential for fiscal stability, with Prime Minister Mostafa Madbouly [assuring](#) that fuel prices will not rise again until the end of 2025, concerns have been [raised](#) about the inevitable impact on the private sector and consumers in respect of inflation in basic goods and services.



Determining the Regulations and Procedures for the Trading of certain Strategic Products and Goods pursuant to the Prime Minister's Decree No. 3071 for the year 2024

By Sharif Shihata and Mohamed Nour

On October 8, 2024, the Minister of Supply and Internal Trade, Dr. Sherif Farouk, issued Decree No. 171 of 2024 ("**Decree 171**"), determining the regulations and procedures for the trading in some strategic goods pursuant to the Prime Minister's Decree No. 3071 for the year 2024.

Key Highlights

The Prime Minister has recently issued Decree No. 3071 for the year 2024 regarding the identification of certain strategic goods that must be kept in the market. In this context, Decree 171 was issued to determine the regulations and procedures for the marketing of blended oil, fava beans, rice, milk, sugar, macaroni and white cheese, which are considered strategic goods (the "**Strategic Products**").

Decree 171 states that companies and establishments which produce, import, manufacture, package, or supply the Strategic Products are prohibited from withholding them from being traded on the market, whether by hiding them, failing to offer them for sale, refusing to sell them, or by any other means.

In addition, companies and establishments that produce, import, manufacture, package, or supply the Strategic Products are required to issue tax invoices on sales, containing information that specifies the type of product or goods, their quantities, and the factory sale price, in accordance with the laws issued regarding electronic invoices.

The companies and establishments mentioned above are also required to furnish the competent Directorates of Supply and Internal Trade on the first Sunday of each month with the following data for each of the Strategic Products sold:

- Description of the product or good.
- Quantity of production.
- Date of production.
- Quantity of domestic sales.
- Stock balances of these products and goods, and their storage locations.
- A list of the company or establishment's trading partners (distributors, wholesalers).

It is prohibited for companies and establishments to manipulate, in any form, the data specified above.

Market Reaction

In light of the Decree 171 and as [reported](#), the Consumer Protection Authority conducted 389 oversight campaigns and inspections were conducted on a total 5,479 commercial establishments during the month of October in several cities. These campaigns resulted a total of 1,558 violation reports were issued, and the violations varied between (failure to display prices – selling above the advertised price for products such as cigarettes and sugar – withholding goods from trading – trading in food products of unknown origin and expired in the markets – operating without obtaining the necessary licenses for managing the establishment).



FRA Temporarily Suspends Licenses for Establishing Microfinance or Consumer Finance Companies in Egypt

By Omar Sherif and Zaina Morad

Introduction

In October 2024, the Financial Regulatory Authority (the “FRA”) issued Decree No. 184 of 2024 (the “Decree”), a significant regulatory measure impacting the microfinance and consumer finance sectors. Under the Decree, the FRA has implemented a one-year suspension on accepting applications for establishing or licensing new companies in these sectors.

Key Highlights

For the next year, the FRA will not accept new applications from businesses seeking to establish microfinance or consumer finance operations in Egypt. This pause specifically affects new entrants; essentially, companies already licensed or holding prior approval are not impacted by the Decree.

Egypt’s market has seen rapid growth in the availability of financial services to underserved populations through microfinance and consumer finance companies. This evaluation period aims to grant the FRA time to assess potential oversaturation and develop enhanced and targeted regulatory frameworks to maintain sustainable growth in the market.

Ultimately, a large part of the FRA’s intention behind this Decree is to tighten regulatory standards and improve risk management across the sector. As financing options grow, the risks associated with lending increase, especially in the microfinance and consumer finance sectors, where default rates may be a concern. By implementing stricter controls and monitoring, the FRA aims to ensure that only well-prepared entities operate within these high-demand sectors.

Market Reaction

It is expected that the Decree will be met positively seeing that it is implemented, mainly, as a stabilizing measure. Existing companies may view the suspension introduced by the Decree as an opportunity to consolidate their positions with reduced competition from new entrants. Effectively, the pause should aid in enhancing consumer protection and improving industry standards, and therefore, fostering sustainable growth in Egypt’s financial sector.

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New Regulatory Controls of Anti-Money Laundering and Counter-Terrorism Financing for Entities operating in the Non-banking Financial Activities Sector

By: Omar Sherif, Youssef Ihab and Mohamed Nour

As part of the continuous efforts to control and combat money laundering and counter-terrorism financing, on 13 October 2024, the Decree No. 161 for the year 2024 (the “**Decree**”) regarding the regulatory controls of anti-money laundering (the “**AML**”) and counter-terrorism financing (the “**CTF**”) for entities operating in the non-banking financial activities sector has been enacted by Financial Regulatory Authority (the “**FRA**”). The Decree replaces and repeals the previous FRA Decree No. 2 of 2021.

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

Background

The Decree complements the provisions of the Anti-money Laundering Law No. 80 of 2002 and its executive regulations (the “**AML Law**”). The scope of application of the Decree falls on Egyptian exchanges, financial institutions and persons licensed to conduct any of the non-banking financial activities (the “**Addressed Entities**”). The Addressed Entities must comply with Know-your-Client (KYC) procedures, regulations and measures related to combating money laundering and terrorist financing issued by the FRA.

The Decree introduces three principles the Addressed Entities need to observe:

Responsibility

The Decree requires the adoption of clear policies with respect to AML and CTF. This should be implemented by virtue of rules, procedures and internal regulations adopted by the Addressed Entities. These policies should take into consideration the nature of the activity undertaken by the relevant Addressed Entity, the size, the client base and the activities and services provided.

Adopt Risk-Based Systems/Processes

AML and CTF risks are to be assessed, rated and recorded electronically by the Addressed Entities. The assessments made should be updated regularly while taking into consideration national level risks and any changes to the degree of the identified risks.

Further, the Decree requires risk assessment with respect to the technology systems used to provide services or products to clients.

Enhanced Hiring and Continuous Training

The Decree requires the adoption of policies that put emphasis on human resources and the best ways to acquire skilled and experienced talent. At the same time, continuous training should be the centerpiece of the internal human resources model of the Addressed Entities.

Internal Control System

Addressed Entities are required to prepare an internal working manual that includes the procedures followed to ensure the proper implementation of the controls, and processes related to combating money laundering and the financing of terrorism, in accordance with the provisions of the AML Law. The Decree requires the periodical update of the manual for any new developments.



The manual should include, among other things, effective measures to prevent collusion of employees of Addressed Entities, internal control processes to identify suspicious clients or abnormal transactions, compliance mechanisms with respect to internal procedures.

Procedures for Reporting Suspicious Transactions

The Decree states that any transactions suspected to involve proceeds of crime, money laundering, or terrorist financing, or attempts to carry out such transactions must be immediately notified to the FRA, irrespective of their value, within the prescribed timeframe as set forth in the AML Law.

The Decree prohibits the disclosure, whether directly or indirectly, to the client or any third parties in this respect (other than the competent authorities) of such suspicious or abnormal transactions.

Record and Document Retention

Among the documents the Addressed Entities must retain, among other documents, documents identifying customers and beneficial owners, unusual transactions' records, periodic reports submitted to the FRA, and records relating to freezing and unfreezing customers' funds.

The retention of records and documents shall be for a period of 5 years where its commencement would depend on the type of document or record.

Internal and External Audit

Internal auditing of the Addressed Entities should aim to prepare an annual report to be presented to the board of directors presenting the results of the responsible AML and CFT employee. The FRA needs to be provided with such a report after its approval and certification by the board of directors.

Moreover, Addressed Entities are required to instruct external registered auditors to assess the internal auditing of the Addressed Entity and to review the report made by the internal auditing of the same. The external auditor would also prepare a report that would be submitted before the FRA.

Criteria for Identifying Suspicious Transactions

Further, the Decree sets forth criteria for identifying suspicious transactions for all activities, but especially securities' trading, insurance, real estate financing, financial leasing, factoring, micro, small, and medium enterprise (MSME) financing activities and consumer financing.

Generally, one of the criteria for identifying suspicious transactions include clients who refuse to provide sufficient information, or provide misleading information, whether personal, related to their activity, or regarding the beneficial owners of the account; or who refuse to sign KYC form, or hesitate to provide the detailed information requested in it, or who are unable to renew their national ID card.

In addition, clients who provide identity documents which appear to be fraudulent or if a sudden change in the standard of living was observed with respect to an employee within the Addressed Entities without a clear justification, along with other indicators for identifying suspicious transactions.

Implementation of UN Security Council Resolutions

The Decree provides a list of requirements that Addressed Entities should follow with the view of ensuring implementation of the UN Security Council Resolutions with respect to Targeted Financial Sanctions.



Such requirements or measures include the identification of risks associated with entities and individuals listed on the black lists in the internal risk management policies of the Addressed Entities (these are lists prepared in accordance with Egyptian Law including all individuals and entities subject to the Targeted Financial Sanctions of the UN Security Council Resolutions); the establishment of an internal system that is able to detect the names of the individuals lists on the Sanctions lists of the UN, among others.

Anti-Money Laundering and Counter-Terrorism Finance Managers

Addressed Entities are required to hire a manager with a scope of responsibility focusing on AML and CTF and designate a deputy to take over in their absence.

A holder of one of the key positions in the Addressed Entities may also perform the duties and tasks of the AML and CTF manager, provided that the approval of the FRA is obtained, and the individual completes an accredited training course.

The managers should be registered in the register of AML and CTF managers after the approval of the FRA. The register shall be divided into categories based on each non-banking financial activity.

Market Reaction

The Decree was issued in the context of ensuring quick and effective detection of suspicious transactions for the Addressed Entities, while also ensuring that entities under the supervision and oversight of the FRA comply with the relevant financial controls for combating money laundering and the financing of terrorism. It aims to ensure market stability, the integrity of transactions, and the protection of the rights of stakeholders.

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