

FRA Introduces Sandbox for Non-Banking Financial Activities

By Omar Sherif and Alexandra Arida

Article 9 of Law No. 5 of 2022, which regulates the development and use of financial technology (fintech) in non-banking financial activities, grants the Financial Regulatory Authority (“**FRA**”) the exclusive authority to establish a regulatory sandbox. Accordingly, the FRA by virtue of Decree No. 163 of 2024 (the “**Decree**”), has introduced a new regulatory sandbox. The Decree was published in the official gazette and came into effect on the 19th of November 2024.

We outline below the key highlights of the Decree

The Establishment of a Regulatory Sandbox

Generally speaking, a regulatory sandbox is a controlled environment established by regulators to enable businesses in the fintech sector to test new products, services, or business models with real customers while operating under a more lenient regulatory framework. The sandbox allows companies to innovate and assess the viability of their ideas, while regulators monitor the testing to ensure consumer protection and market stability.

The Decree establishes a regulatory sandbox for technological applications, enabling companies undertaking non-banking financial activities to utilize fintech. Further, entities wishing to register, as well as those already registered in the outsourcing register for fintech in non-banking financial activities with the FRA, will be allowed to test innovative fintech applications, including business models and related mechanisms.

The sandbox aims to support and facilitate the market entry of innovative startups, enhance regulatory understanding of fintech, and improve regulatory practices to promote sustainable and inclusive financial growth.

Market Reaction

According to the Central Bank of Egypt, the regulatory sandbox provides a real-time testing environment for fintech innovators developing new business models hindered by strict authorization processes and regulatory uncertainty. This enables faster access to innovative financial solutions while embedding compliance into the fintech ecosystem from the outset. Further, Mohamed Farid, FRA chairman, highlighted that the regulatory sandbox will enhance the FRA’s efforts to support startups in the digital space, enabling them to deliver non-banking financial services more effectively.

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FRA Issues Decree Regulating Secondary Market Trading of Securities

By Omar Sherif and Alexandra Arida

The Financial Regulatory Authority (“**FRA**”) has issued Decree No. 232 of 2024, establishing important rules for trading government securities and financial instruments in Egypt’s secondary market (the “**Decree**”). This Decree applies to all trading activities in government securities and financial instruments, allowing only entities approved by the FRA to undertake such trading. Approved entities may trade for their own financial portfolios or on behalf of their clients.

The Decree was published in the official gazette on the 4th of November 2024 and came into effect on the next day.

We outline below the key highlights of the Decree

Establishment of the Register

The FRA’s Decree establishes a register for companies and entities authorized to trade in government securities and financial instruments in the secondary market (the “**Register**”). Said Register includes banks registered as primary dealers, banks not registered as primary dealers, and companies licensed by the FRA to deal in bonds, offer brokerage services, or manage investment funds.

Registration Requirements

The Decree outlines specific registration conditions for each eligible entity depending on its nature. Said conditions include, *inter alia*, (i) providing evidence of registration with the Ministry of Finance, (ii) obtaining approval from the Central Bank of Egypt (the “**CBE**”), (iii) ensuring automated linkages with the trading and settlement systems of the Egyptian Stock Exchange (“**EGX**”) and the Misr for Central Clearing, Depository and Registry (“**MCDR**”), (iv) bond brokerage companies and investment funds wishing to register must have an issued and paid-up capital of no less than EGP 15 million, with ownership rights not falling below the paid-up capital at the time of submitting the application for registration, and (v) said companies must also have research units focused on securities and financial instruments, the capacity to conduct remote trading, and a commitment to adhering to anti-money laundering and counter-financing of terrorism regulations issued by the FRA.

Application Process and Timeline

Entities wishing to register must submit an application along with required documentation confirming that they meet the registration criteria. The FRA will review the application and issue its decision within 15 days of receiving the necessary documents.

Electronic Systems and Data Reporting

Registered entities must implement electronic systems that display essential data related to their trading activities. This includes information about the nature of the dealings (for their own account or for clients), details of the securities traded, and client transaction histories. Companies are also required to provide this data to the FRA upon request to ensure transparency and compliance with market regulations.

Client-Data Confidentiality

Registered entities must maintain the confidentiality of their clients' data and transactions in the secondary market, disclosing information only with the clients' prior written consent, or in cases mandated by the Ministry of Finance, the CBE, or the FRA. Additionally, companies are required to ensure that managers and employees adhere to said confidentiality requirements.

Three-Month Grace Period for Compliance

A three-month grace period is provided to registered entities to comply with the provisions of the Decree. Said period may be extended by the FRA upon request of the entities, provided they present valid justifications. If entities fail to meet the required standards by the end of this period, the FRA may notify the EGX to suspend them from trading in government securities.

Market Reaction

According to the FRA, the Decree is part of its ongoing commitment to creating a favorable environment in the non-banking financial sector. This initiative aims to support the growth and development of individuals and companies by facilitating access to services and activities within the non-banking financial markets. Such efforts contribute to diversifying investment opportunities, allowing individuals to effectively manage and invest their finances, particularly through investments in government debt instruments.



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New Regulations for Pharmaceuticals' Warehouses

By Omar Sherif, Passant Ashraf and Haythem Hamdy

On the 12th of December 2024, the Egyptian Drug Authority (“**EDA**”) issued Decree No. 725 for the year 2024 which was published on the 22nd of December 2024 (the “**Decree**”). The Decree sets forth updated regulations and health requirements for licensing pharmaceutical warehouses (the “**Warehouses**”). The Decree aims to ensure compliance with modern storage and distribution standards to safeguard public health and streamline pharmaceutical operations in Egypt.

Licensing and Operational Conditions

Pursuant to the Decree, Warehouses must adhere to the updated Good Storage and Distribution Practices (“**GSDP**”) which are international storage standards issued by the World Health Organization. The GSDP are stipulated in the newly published Warehouses’ guidelines by the EDA. It is also set forth in the Decree that the property serving as a pharmaceutical licensed warehouse cannot be leased, in whole or in part, to any third parties. Further, pharmaceutical trade and storage can only be conducted through EDA licensed Warehouses. Such license is valid for 5 years and is renewable.

Pharmaceutical Storage Guidelines and Infrastructure Standards

The Decree provides that pharmaceuticals must be sourced from licensed manufacturers or importers registered with the EDA.

Sales are limited to authorized distributors within specified geographical areas. Additionally, discounts and payment facilities require prior EDA approval.

The Decree also sets out the minimum area for the Warehouse and other architectural aspects of the same, including the number of floors, access to the same, its proximity to the building’s roof, etc. In addition to that, Warehouses’ construction materials must be non-flammable, and facilities should comply with safety standards.

Lastly, and pursuant to the Decree, the EDA is entitled to conduct regular inspections with no prior notice. Violations, such as dealing with unregistered or counterfeit drugs, may result in administrative closure, legal actions, or product destruction.

The Decree enhances the transparency and accountability of pharmaceutical distribution in Egypt. By enforcing stringent guidelines, the EDA aims to protect consumers from counterfeit or improperly stored medications or pharmaceuticals and improve overall public health outcomes.

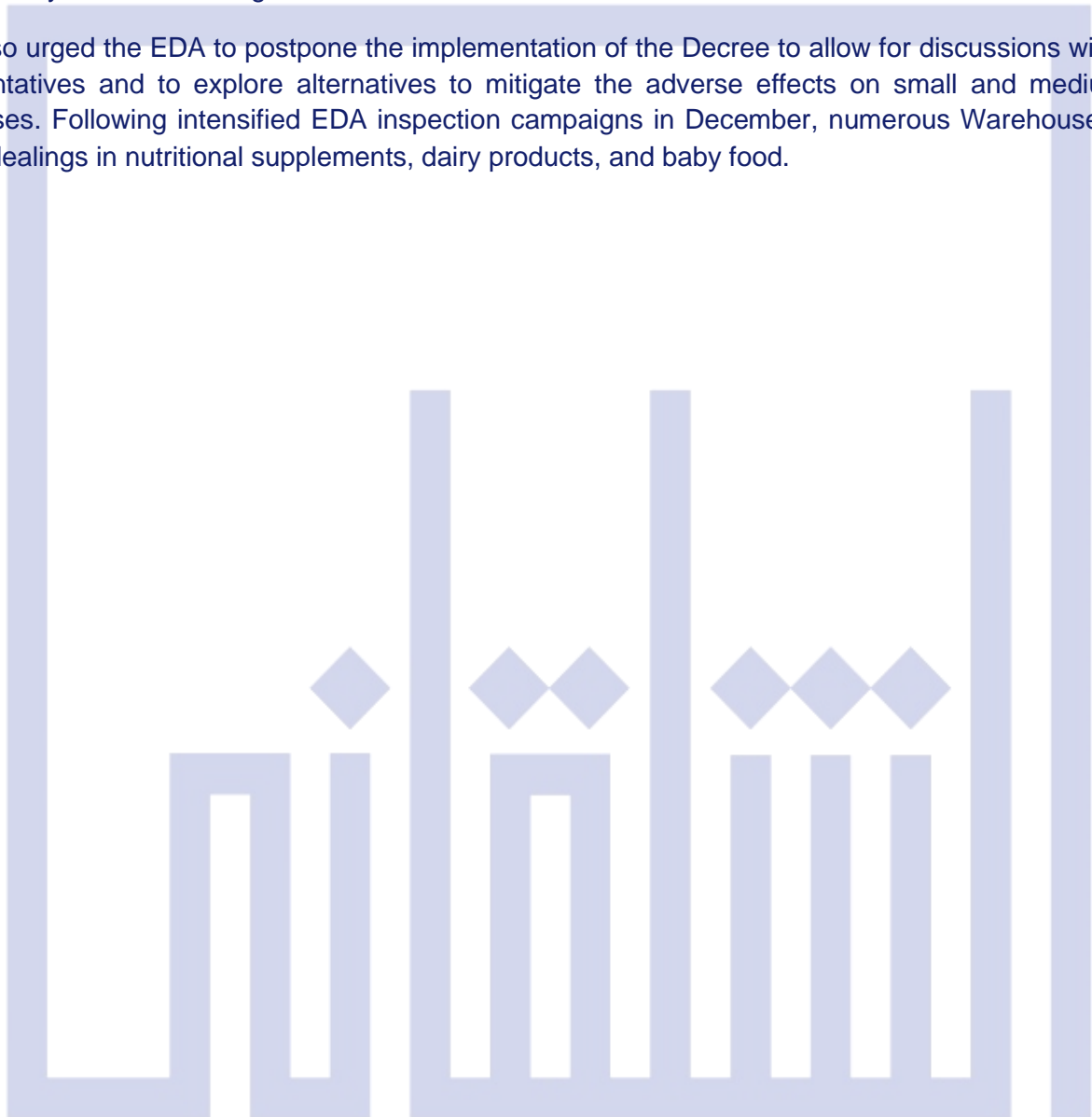
Market Reaction

The market reacted strongly to the issuance of the Decree. Warehouse owners rejected it, describing it as an “arbitrary decree” that threatens the survival of small and medium-sized businesses. Similarly, the Medicines Department within the Federation of Chambers of Commerce expressed its opposition and called for immediate discussions.

The Distributors Committee (the “**Committee**”) warned that the Decree could result in the closure of over 1,000 small and medium distribution companies, mass layoffs, and critical medicine shortages in rural areas, which rely on these smaller distributors due to limited access to larger distributors.

The Committee urged the Prime Minister and Minister of Industry to intervene, warning that the Decree could cause factory closures and significant state revenue losses.

They also urged the EDA to postpone the implementation of the Decree to allow for discussions with sector representatives and to explore alternatives to mitigate the adverse effects on small and medium-sized enterprises. Following intensified EDA inspection campaigns in December, numerous Warehouses began halting dealings in nutritional supplements, dairy products, and baby food.



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Egyptian Tax Authority Circular Clarifying Real Estate Tax Burden

By Omar Sherif and Youssef Ihab

The Egyptian Tax Authority (the “**ETA**”) has recently issued Circular No. 7 of 2024, clarifying the scope of application of the real estate disposition tax (“**RET**”) (the “**Circular**”). The real estate disposition tax is set forth in the Egyptian Income Law No. 91 for 2005 (the “**Income Tax Law**”).

The Circular specifically addresses the tax burden associated with real estate transactions, particularly noting that many investors in real estate assets have been including standard clauses in real estate sale agreements that shift the tax liability to the buyer. This practice has raised questions regarding compliance and the proper allocation of tax responsibilities under the law.

We highlight the important aspects of the Decree hereunder.

Defining the Taxpayer

The Circular provides insights on the ETA’s enforcement of the RET as set forth in the Income Tax Law. Firstly, the Circular identifies that the RET only applies to natural persons. It does not apply to juristic persons.

Subsequently the Circular tackles the scope of application of the RET.

RET Scope of Application

The Circular specifies that the RET does not apply to (i) natural persons conducting several asset sales within their professional capacity; and (ii) juristic persons. Instead, proceeds from such sales will be subject to the regular income tax applicable to commercial profits.

Further, the Circular clarifies that the buyer of a real estate asset is not subject to the RET, only the seller is liable for the RET.

The ETA reinforces its position by asserting that any agreement to the contrary would be in violation of the provisions of the Income Tax Law.

Market Reaction

The ETA Circular underlines the ETA’s active role in monitoring the market and proactively defusing practices violating the ETA’s interpretation and enforcement of the law. The Circular emphasizes the RET scope of application which does not extend to proceeds already taxable as part of commercial profits.

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Specialized Committee Established to Control the Imposition of Administrative Seizures

By Muhammad Ussama & Zaina Morad

The Egyptian Minister of Finance's Decree No. 492 of 2024 (the “Decree”) introduces significant changes aimed at strengthening regulatory oversight and enhancing the application of administrative seizure measures to, ultimately, ensure effective tax collection while not affecting public interest. Issued on the 13th of November 2024, the Decree establishes a specialized Committee within the Ministry of Finance (and presided by the Minister of Finance) and creates a comprehensive framework for the exercise by the Government of the administrative seizure route for the collection of governmental dues. It is clear from the Decree that the underlying intention is to improve compliance mechanisms, whilst safeguarding business interests.

Committee Establishment

The Decree establishes a committee responsible for overseeing administrative seizure matters. If certain criteria are met, the imposition of an administrative seizure should not take place without the approval of the Committee. The Committee will also adjudicate petitions filed by parties against whose property and/or assets administrative seizure is imposed.

Committee Approval on Administrative Seizures

The Decree introduces more stringent rules for administrative seizures related to tax evasion, requiring committee approval in certain situations before assets can be administratively seized. This is a significant shift aimed at balancing strict enforcement with the protection of business rights.

Scope of Application

The Decree mainly concerns protecting the rights of the following taxpayers:

- Investment projects established under the Investment Law no. 72 of 2017 (regardless of the value of the due amount).
- Tax debts amounting to one million Egyptian pounds or more.
- Entities such as sports clubs affiliated with the Ministry of Youth and Sports, public business sector companies, and establishments in the tourism and hotel sector.
- Where the taxpayer is consistent in paying its dues for the two previous tax periods.
- Cases referred to the Committee by the Minister of Finance or the Head of one of revenue-generating departments of the State.

Simplified Procedures

The Decree enables businesses to approach a specialized governing body presided by the Minister of Finance for matters related to administrative seizures, offering clearer guidelines and processes for resolving disputes over taxes or seizures. This includes a more transparent and structured appeal process.

Procedural fairness:

The Decree emphasizes the importance of procedural fairness by inserting the requirement of prior notice as one of the requirements for the imposition of an administrative seizure. It also explicitly stipulates that administrative seizures must be limited in scope to the part or parts of the assets that corresponds, in value, to the underlying outstanding dues.

Market Reaction

The Decree places significant emphasis on safeguarding business interests, offering businesses clearer avenues for pre-litigation dispute resolution and protections against undue seizures.

Essentially, by prioritizing both effective tax enforcement and the fair treatment of businesses, the Decree aims to foster a more stable investment climate for both existing and prospective investors. The Decree is in alignment with Egypt's ongoing efforts to strengthen financial governance and broader economic reform.



Prohibition on All Land Transactions from Ras El Hikma Until Salloum

By Dr. Moataz Al Mahdy & Zaina Morad

In a significant policy update, the Ministry of Justice has issued Circular No. 29 dated December 18, 2024 (the “**Circular**”) directed towards all notary public offices addressing land transactions in northern Egypt. The Circular imposes a complete prohibition on the transaction of any lands located north of the Alexandria-Marsa Matrouh-Salloum Road within the area stretching from New Ras El Hikma City to Salloum. This move underscores the government's commitment to preserving the strategic and developmental interests of the region.

Restricted Area:

The Circular applies to all land north of the Alexandria/Marsa Matrouh/Salloum Road, specifically from New Ras El Hikma City to Salloum.

Prohibition of Transactions:

All notary public offices are prohibited from registering or documenting any transactions involving the sale or disposal of land in the designated area.

Compliance Oversight:

General departments of technical inspection and office heads are tasked with ensuring strict adherence to the Circular across all relevant branches.

Market Reaction

The Circular may have a significant impact on ongoing and planned projects in the region, which may be a cause for concern for certain developers whilst simultaneously being a sign of optimism for other, specifically foreign investors. While the Circular does not explicitly state the reasoning, we understand that the policy comes as an effort towards implementing the government's broader strategic and foreign-investment goals.

It appears that the government has specific plans for these areas, as evidenced by Prime Minister Dr. Mostafa Madbouly's [statement](#) confirming that the Council of Ministers had reviewed a comprehensive plan for developing the northwest coast. The plan covers approximately 260 kilometers of coastline, divided into three distinct sectors, and focuses on maximizing tourism revenues. Dr. Madbouly emphasized the goal of transforming the area into a premier global tourist destination, aligning with the state's major developmental initiatives.

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Establishment of a new Energy Planning Unit

By Mariam Fahmy and Haythem Hamdy

On the 10th of November 2024, the Egyptian Prime Minister issued Prime Ministerial Decree No. 3715 for the year 2024 (the “**Decree**”) establishing a permanent unit under the Cabinet of Ministers entitled the "Energy Planning Unit" (the “**Unit**”). The establishment of the Unit aims at creating a centralized approach to energy planning, coordination, and strategy implementation in the Arab Republic of Egypt.

We shall delve into the key provisions of this new Decree.

Members of the Unit

The Unit will be presided by an expert appointed by the Prime Minister for a three-year term to be renewed. Membership of the Unit comprises of representatives from several ministries and governmental bodies, including Ministries of Defense, Transport, Industry, Planning, Economic Development and International Cooperation, Environment, Electricity and Renewable Energy, Finance, Housing, Utilities and Urban Communities, Petroleum and Mineral Resources, Investment and Foreign Trade, Higher Education and Scientific Research and Public Business Sector. Members of the Unit shall also include representatives of the General Intelligence Service, Central Agency for Public Mobilization and Statistics and Information and Decision Support Center of the Cabinet.

The Unit, by virtue of the Decree, is permitted to request assistance from independent energy experts and any other experts or specialists as it deems appropriate.

Core Responsibilities

The Unit’s mandate includes the following:

- Proposing integrated energy strategies and policies and regularly updating them.
- Offering technical advice to the Supreme Energy Council (“**SEC**”) and preparing studies and reports related to energy projects and its efficient use.
- Ensuring sectoral plans of ministries that align with the national energy strategy.
- Evaluating and advising on energy-related laws, regulations, and decisions and how to use it efficiently.
- Monitoring the implementation of the energy strategy and adapting it to global and regional developments.
- Promoting energy efficiency and raising awareness among consumers.
- Addressing all topics referred to the Unit by the SEC and/or the Prime Minister.

Coordination Role

The Unit acts as the technical secretariat for the SEC, managing agendas and tracking implementation of decisions. It also coordinates with energy-consuming sectors to align demand growth and efficiency programs.

Operational Framework

- Meetings: The Unit meets biweekly or when needed, with recommendations submitted to the SEC for approval.

- Reporting: A quarterly report detailing the Unit's activities, findings, and recommendations shall be presented to the Prime Minister.
- Staffing: Administrative and secretarial support is provided by employees selected by the Prime Minister based on recommendations from the Unit's head.
- Funding: The Ministry of Finance shall allocate the necessary funds for the Unit to be included in the Cabinet of Ministers' budget.

Market Reaction

According to Egyptian media outlets the Unit should be able to achieve coordination between several ministries and governmental agencies in order to determine future policies and update energy strategies to be in line with the increasing challenges and global changes, as one of the challenges Egypt faced was the absence of a single entity responsible for updating energy strategies periodically in the event of an emergency or unexpected developments.

Further, the government has finalized internally the energy strategy agenda for 2040, and it is expected that the Unit is going to play a crucial role in updating the energy strategies and in the decision-making process on vital topics such as regional electricity interconnection, the use of hydrogen as an alternative energy source, and balancing the needs of industry and environmental protection.

Conclusion

The Decree marks a significant step toward a cohesive energy policy in Egypt, enabling sustainable development, efficient energy use, and alignment with global best practices. The Unit is expected to serve as a cornerstone for enhancing energy security and governance in the country.

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Desert Lands' Development and Reclamation Chamber

By Dr. Moataz El Mahdy and Haythem Hamdy

On the 1st of December 2024, the Egyptian cabinet of ministers issued decree 4104/2024 (the “Decree”) establishing a new industrial chamber named “Desert lands development and reclamation Chamber” (the “Chamber”) which is responsible for the development and reclamation of deserts and lands.

Chamber's Mandates

The reason for establishing the Chamber is to focus on the following activities:

- Reclamation of desert lands for agriculture.
- Post-harvest centers, including sorting, packaging, cooling, and storage.
- Building silos, granaries, and cotton ginning facilities.
- Producing organic fertilizers from agricultural waste.
- Recycling agricultural waste and treating agricultural wastewater.
- Projects addressing desertification, agroforestry, and bioengineering for soil stabilization and for Soil erosion control.

Positive Effect on Investment

It is highly expected that the Decree will have the following positive effect on investment in various sectors:

Agricultural Sector

- Increased investment in desert land reclamation projects.
- Enhanced demand for agricultural equipment, fertilizers, and water treatment technologies.
- Potential opportunities for exporters due to improved post-harvest infrastructure.

Construction and Infrastructure Companies

- Boost in projects for building silos, storage facilities, and bioengineering solutions.
- Engineering firms specializing in soil stabilization and water resource management may benefit.

Renewable Energy and Sustainability

- Opportunities for renewable energy firms to support operations in reclaimed lands, e.g., solar-powered irrigation systems.
- Interest in green solutions, such as converting agricultural waste into energy or compost.

Local and International Investors

- Interest from foreign investors in agriculture and sustainability initiatives.

- Government backing could reduce perceived risks and encourage private-public partnerships.

Conclusion

The Decree aims to promote sustainable agriculture and optimize the use of desert lands in Egypt. Further, it is expected to be generally positive, with significant opportunities for growth and investment in agriculture, infrastructure, and sustainability. However, successful implementation and clarity on funding mechanisms will be critical to sustaining this momentum.



New Gas Pricing Regulations

By Mostafa El Zeky and Malak Sobhy

Introduction

On December 1, 2024, the Prime Minister issued Decree No. 4175 for the year 2024 (the “**Decree**”), introducing new regulations for the consumption payment of natural gas for projects, superseding Article 3 of Prime Ministerial Decree No. 470 for the year 2004.

The Decree was published in the Official Gazette on December 1, 2024 and came into effect on the same day.

Amendment to Natural Gas Payment Terms

The Decree introduces amendments to natural gas pricing, specifying that all payments for projects (other than those established in free zones and economic zones) shall be made in EGP based on the average official exchange rate of the USD dollar as announced by the Central Bank of Egypt during the month preceding the relevant consumption calculation period. The exchange rate previously applied was that on the date of issuance of the relevant invoice.

Gas consumption pricing payments by projects established in free zones and economic zones shall continue to be made in USD.

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Supreme Constitutional Court Rules Key Provisions of Old Rentals Law Unconstitutional

By Dr. Moataz El Mahdy and Malak Sobhy

On November 9, 2025, the Supreme Constitutional Court (the “**SCC**”) issued ruling No.24 for the judicial year 20 (the “**Ruling**”), declaring Articles Nos. 1 and 2 of Law No.136 for the year 1981 (the “**Old Rentals Law**”) unconstitutional. The ruling was published in the Official Gazette on November 10, 2025, and takes effect the day following the end of the current legislative session of the House of Representatives.

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

Unconstitutionality of Fixed Rent Provisions

The SCC declared the first paragraph of Articles 1 and 2 of the Old Rentals Law unconstitutional and urged the House of Representatives to amend the same.

The Old Rentals Law had previously capped the annual rent for residential properties at 7% of the property's assessed value at the time of building permit issuance. These provisions had long governed rental prices, restricting landlords from increasing rents beyond this fixed rate, regardless of market conditions or property value fluctuations.

Market Reaction

The SCC's ruling has sparked [mixed market reactions](#).

On one hand, it is viewed as fair, as it allows landlords to adjust rents in line with current market conditions while safeguarding and protecting their property rights.

On the other hand, tenants currently residing in those same properties may face significant challenges, as concerns with regard to affordability emerge especially in line with rising living costs. Nevertheless, the ruling remains an essential step toward aligning rental prices with current economic realities.

The market now awaits new legislation that aims to strike a balance and to ensure fairness for all parties involved.

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