



Amendments to Licensing and Ownership Requirements for Non-Banking Financial Services Companies

By Omar Sherif and Haythem Hamdy

Introduction

The Financial Regulatory Authority (“**FRA**”) issued Board of Directors Decree No. 281 of 2025 dated 30 December 2025 (the “**Decree**”), amending certain provisions of FRA Board Decree No. 177 of 2024 (the “**Amended Decree**”) concerning the rules governing the licensing and continuity of licensing of companies operating in non-banking financial activities.

The Amended Decree has set out the regulatory framework applicable to companies operating in non-banking financial activities, including insurance, financing, leasing, factoring, consumer finance, and other regulated activities. The Decree introduces targeted amendments, primarily affecting insurance and reinsurance companies and the ownership structure requirements applicable to licensed entities.

We will delve below into the highlights of the Decree

Ownership and Financial Strength Requirements for Insurance and Reinsurance Companies

The amended provisions replace Item (1) of Annex (1) relating to companies operating in the insurance sector, including insurance and reinsurance companies. Under the new rules:

- Financial institutions must hold at least **25%** of the company’s share capital.
- The company’s shareholders’ equity must not be less than **EGP 5 billion**.
- The relevant financial institution (or the company owning the majority of its shares) must hold a minimum credit rating of “**A**”, or its equivalent, issued by an FRA-licensed rating agency (instead of only being able to obtain a rating from an international rating agency pursuant to the Amended Decree) or an international rating agency. However, the FRA may now exempt companies from the credit rating requirement where the shareholders’ equity of the financial institution, individually or together with its parent company, is **not less than EGP 10 billion**, based on the latest audited financial statements.

Regulatory Exemptions for Existing Companies

A new paragraph has been added to Article (5) of the Amended Decree, allowing the FRA to exempt existing companies from compliance which did not comply with the revised ownership structure requirements where such non-compliance arises as a result of specific corporate actions, including capital increases; inheritance, wills, or gifts; mergers; treasury share transactions or capital reductions through the cancellation or distribution of treasury shares; capital restructuring among related parties or within a group of related companies; and entry of new shareholders, provided that such new shareholders (alone or with related parties) do not exceed the ownership percentage held by any shareholder owning 25% or more of the company’s capital or voting rights.

Conclusion

The Decree reflects the FRA’s continued focus on strengthening the financial soundness and ownership structures of regulated entities, while also providing flexibility for existing companies undergoing corporate or capital restructuring.