Foundation

Egypt’s Stock Exchange has two locations: Cairo & Alexandria, that are managed by the same Chairman and Board of Directors. Cairo and Alexandria Stock Exchanges (CASE) dates back to more than 100 years. Alexandria Stock Exchange was officially established in 1883, followed by Cairo in 1903. The two exchanges were very active in the 1940’s and the Egyptian Stock Exchange ranked fifth in the world. Nevertheless, the socialist policies adopted in the mid-1950’s led to a drastic reduction in activity on the stock exchange, which remained dormant during 1961 till 1992. In an attempt to reactivate the market, the government opted for the public offering of the state-owned enterprises through the privatization program, which provided the impetus for its revival. In 1997, CASE started its modernization program in terms of legislation and infrastructure to keep abreast with globalization and internationalization. In November 2005, CASE became a member of the World Federation of Exchanges (WFE).

CASE Vision

Becoming a state-of-the-art Exchange poised to be the main gateway for investment in the Arab and the African markets.

Regulatory Framework

The main laws governing the securities market in Egypt are:

- The Capital Market Law 95/1992 laid the regulatory framework within which the exchange and the financial intermediaries such as brokers, fund management firms, venture capital firms and underwriters can operate.
- The Central Depository Law 93/2000 regulates the shareholders record keeping, clearing and settlement.
- The Companies Law 159/1981 for joint stock companies, partnerships limited by shares and limited liability companies.
- The Investment Law 8/1997 which promotes investment in specific economic sectors and new industrial locations.
- The Public Enterprise Companies Law 203/1991 which identified 314 public sector companies for sale to the public.

Listing Rules

CASE has implemented new listing rules in August 2002, of which articles (3,7,20,22 and 27) were amended in December 2004, aiming at improving corporate governance and disclosure practices for all listed securities, penalizing insider trading, and enforcing adherence to the Egyptian Accounting Standards which follow International accounting standards. According to the new listing rules, all securities must be dematerialized and part of the Central Depository System.

There are two listing schedules, an official schedule and an unofficial schedule, where companies have to meet certain legal and financial requirements to list on CASE.

Additionally, the new rules stipulated some fines to be levied on companies that do not abide to the listing and disclosure standards. Moreover, disclosure rules (concerning financial statements, material events, corporate actions and corporate governance) are mandatory for all listed companies. Noteworthy that the number of listed companies dropped from 1151 in 2002 to 744 companies in December 2005. This sharp decline in the number of listed companies is owed to the implementation of more rigorous listing rules, aiming at maintaining quality companies with sound corporate governance practices, listed on CASE. CASE has now in place an automated disclosure and listing system that speeds up the process of the information cycle from listed companies to the Exchange and to market participants. (For more details visit CASE website at www.egyptse.com)

Membership Rules

In May 2004, the Minister of Foreign Trade issued Decree No 383 to rearrange the activities of the member firms, whereby new membership rules including: terms and conditions for access to the market by local and foreign members, ensure financial integrity and business ethics, professionalism of members; minimum capital requirements and solvency of members, were formulated etc.

OTC Rules

CASE issued new rules in July 2002 to rearrange the Over the Counter (OTC) market; the venue of trading unlisted securities. According to these new regulations, the OTC market is divided into two markets: Orders Market and Deals Market. The Orders Market is for the companies that the Exchange approves trading on according to their liquidity, including de-listed shares. The Deals Market is the market at which CASE announces all information related to the pre-arranged deals, after their execution.
Margin Trading Rules

The Minister of Investment issued Decree No 192 of the year 2005 to add a new chapter to the executive legislation of the Capital Market Law that arranges the margin trading activities, where only custodians are allowed to trade in margin trading. Custodians exercising margin trading activity should at all times maintain a net capital not less than 15 percent of their total liabilities with a minimum of LE 750,000. Moreover, a client willing to purchase securities on margin must pay in cash a percentage not less than 50 percent of the purchased securities’ value to his account and not less than 20 percent in case of government bonds.

Intra-day Trading Rules

In August 2005, the Capital Market Authority (CMA) Chairman has issued Decree No. 24, which introduced the “Intra-day Trading” concept for the first time to the Egyptian market. According to the rules, member firms wishing to carry out Intra-day Trading transactions, should first obtain a license from the CMA, and should deposit a minimum of LE 5 million in one of the clearing banks in order to meet the settlement of the Intra-day Trading transactions. Member firms can only trade within the limits of four times the amount deposited at the clearing bank. Moreover, the volume of daily transactions made by an investor according to this system, should not exceed 1/10,000 (one over ten thousand) of the company’s listed securities on CASE.

Primary Dealers System

CASE completed the Primary Dealers System in 2004, where thirteen primary dealers were selected, whose main functions are to underwrite the initial offering of the government securities in the primary market and to act as market makers in the secondary market. The new system was introduced to activate the bond market and enhance its liquidity, reduce the cost of borrowing for the government and provide the Central Bank of Egypt (CBE) with financial tools that facilitate its intervention in the secondary market via open market operations. As of December 2005, there were eleven treasury bonds issues with different values ranging from LE 1 to LE 5 billion and maturities ranging from 3 to 20 years. Worth mentioning that the Treasury bonds offered through the Primary Dealers System recorded LE 11 billion in terms of value since the implementation of Primary Dealers System on 4 November 2004 till 30 December 2005.

Trading Hours

(Sunday through Thursday)
Over-the-Counter Market 09:45 am - 11:15 am
(Deals and Orders Market)
Primary Dealers System 10:30 am - 2:30 pm
(Government Bonds)
Listed Securities Market 11:30 am - 3:30 pm
(On the Exchange)

Settlement

T+3: for dematerialized securities.
T+2: for the list of 36 active stocks.
T+1: for Treasury bonds (according to the Primary Dealers system).
Real Time Gross Settlement (RTGS) for Intraday Trading transactions.

Foreign Participation

No restrictions on foreign investment or profit repatriation in the Egyptian securities market.

Securities Taxation

No taxes are levied on dividends, capital gain and interest on bonds for individuals, mutual funds and international funds. Only 2 percent capital gain tax is levied on bonds.

Securities Traded

Shares, Bonds (government & corporate) and Funds.
**Transaction Cost**

- **Exchange Trading Fees**
  - Listed securities: the Exchange service fees are levied at 0.0125 percent of the value of each side of the transaction with a maximum amount of LE 250 ($ 400).
  - Unlisted securities or Over the Counter market: the Exchange service fees are levied at 0.1 percent of the value of each side of the transaction, with a maximum amount of LE 5,000 ($ 800).
  - Global Depository Receipts transactions: the Exchange service fees are levied at 0.00025 percent of the value of either issuance or cancelation of GDRs. The amount is paid in US dollars.

- **Brokerage Fees**
  It is negotiable and vary between 0.25 percent and 1.5 percent of the transaction value depending on the quality of services provided by the brokerage houses to their customers.

- **Clearing and Settlement Fees**
  It amounts to 0.125 per thousand of the transaction value.

- **Listing Fees**
  - With respect to companies listed on the Official Schedule (1) and (2), the annual listing fee is 2 per thousand of the total amount of the listed capital of the issuing company or the total size of the issue with respect to other securities, with a maximum amount of LE 50,000 and a minimum amount of LE 1,000.
  - Issuing companies to be listed on the Unofficial Schedules (1) and (2) have to pay an annual fees of 2 per thousands of the total amount of the listed capital of the issuing company or the total amount of the listed issue in respect of other securities, with a maximum amount of LE 30,000 and a minimum of LE 500.

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**Investor Protection**

- A Settlement Guarantee Fund was established with a size of LE 30 million, to clear unsettled transactions (buy shares or pay cash on behalf of the defaulting party).
- The Prime Minister issued Decree No. 1764 of year 2004 to establish an insurance fund to protect the market participants from non trading risks ensued from the activities of the securities companies.

**CASE International Alliances**

- CASE is a full member of WFE (World Federation of Exchanges), FEAS (Federation of Euro-Asian Stock Exchanges), ASEA (African Stock Exchanges Association) & Union of Arab Stock Exchanges.
- CASE has signed joint cooperation agreements with most of Arab Stock Exchanges including Kuwait, Lebanon, Jordan and Bahrain.
- CASE signed Memoranda of Understanding (MOUs) with various stock exchanges including Korea, Hong Kong, London, Madrid, Nigeria, Oman, Sudan, Libya, Johannesburg, Kuala Lumpur, Malta, China, Thessaloniki, National Stock Exchange of India and Borsa Italiana.

**Global Indices**

Egypt was included in the IFC Global and Investable Indices in 1996 and Morgan Stanley Index on a stand-alone basis in 1997. In May 2001, MSCI started calculating MSCI Egypt as a stand-alone index.

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**Market Surveillance**

Both the Capital Market Authority (CMA) and CASE monitor market activity to detect possible market manipulation or insider trading. CASE is responsible for on-line surveillance and the CMA for off-line surveillance. Accordingly, either CASE or the CMA may suspend offers and bids of institutions, which are deemed to be suspicious.

The Exchange has developed an advanced surveillance system, which avails the exchange with real time, on-line functionality, with a complete range of alerts and freezes on the order level as well as information from listed companies for off-line surveillance.

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**CASE Subsidiary**

**Egypt Information Dissemination Company (EGID)**

EGID company was established in June 1999 as a fully owned subsidiary of the Cairo and Alexandria Stock Exchanges, to enhance market transparency. EGID transmits CASE trading data as well as information about listed companies both locally and internationally. EGID has also expanded to enter the field of systems development with a special emphasis on software development that automate key operations in stock exchanges such as the Surveillance System, the Disclosure Information System and the Listing System. EGID has provided the Doha Securities Market with the Surveillance System and the Kuwait Stock Exchange with both Disclosure and Surveillance Systems.

EGID has lately signed a letter of intent with OMX Group to provide financial markets in the Middle East and Africa, with the latest and most sophisticated technologies to sustain their growth and promote further cooperation among these markets. (For more details visit EGID website at www.egidegyot.com)
CASE Recent Achievements

- CASE became a member of the World Federation of Exchanges (WFE) in November 2005, to be the first Arab country to join WFE as a full member.
- CASE was nominated to preside the African Stock Exchanges Association (ASEA), which consists of 18 African stock exchanges members in 2005.
- CASE has joined the International Organization of Securities Commissions (IOSCO) as an affiliate member in April 2005.
- ABN-AMRO Bank together with CASE agreed to issue open end certificates on CASE30 Index to be traded on 4 international stock markets. On 27 October 2005, 500 thousand certificates were issued in US Dollars, listed and traded on the Swiss Exchange, to be traded thereafter on Amsterdam Stock Exchange, Frankfurt Stock Exchange and Borsa Italiana, respectively.
- CASE signed a joint branding and marketing agreement with Dow Jones Indexes, a leading global index provider, to create the Dow Jones CASE Egypt Titans Index, a blue-chip index that covers the largest and most liquid companies in Egypt, which is expected to be launched in the first quarter 2006.
- CASE trading system was linked in 2005 with the clearing system of the Misr Clearing, Settlement, Depository and Registry Company (MCDR), in an attempt to provide a “Straight Through Processing” environment.
- CASE has upgraded and enlarged the capacity of its trading system to absorb the surge in trading activity and the corresponding increase in the number of transactions.
- CASE signed a Letter of Intent with OMX, the leading technology expert in the exchange industry, to establish a joint venture that offers IT services to the financial markets in Egypt as well as the Middle East and Africa. It is expected that CASE would implement a new technology infrastructure supplied by OMX, with support from the new joint venture.
- Securities and Exchange Commission (SEC) has designated CASE as a “Designated Offshore Securities Market”. This confirms CASE’s international standing in terms of rules, organization, structure, dissemination of price quotation and market data.
- Within the framework of its public awareness and market outreach programs, CASE has successfully conducted some educational programs in Egypt’s different universities; Ain Shams University in April 2005, Cairo University in July 2005 and Mansoura, GUC and Canadian Universities in November 2005, covering the basics and fundamentals of investment and trading in the stock market.
- CASE conducted road shows in the Gulf region to encourage reputable regional blue chips to come and list in CASE.
- CASE concluded a joint project with Egypt Post Office to launch a new mutual fund which allows small investors to invest in the stock market.

CASE looking Ahead

- Re-locate the Exchange to the Smart Village, being the major component of the regional financial center.
- Continuous development of the regulatory infrastructure to increase the quality of services and to ensure investor protection.
- Application of corporate governance principles within the Exchange.
- Introduce new trading mechanisms such margin trading, short selling and online trading in the first quarter of 2006.
- Introduce Exchange Traded Funds (ETFs) in 2006 and derivatives in 2007.
- Introduce Omnibus trading accounts whereby the fund manager can place a buy/ sell order in his name for the different investors’ sub accounts, to be executed as a one giant trade.
- Encourage listing and trading of Islamic products on CASE. e.g sukuks (CASE co-organized a workshop on Islamic Finance with HSBC- Egypt & HSBC Amanah).
- Link CASE electronically with CASE 30 top issuers to disseminate information on line.
Trading System

Throughout the period between 1992 and 2005, the trading system at CASE has perceived gradual development from an outcry system (prior to 1992) to an automated order-driven system. As a result of the growth in business, the Exchange got hold of a proven and scalable system conforming to international standards and up to date technology. In May 1998, CASE contracted with “eta”, a Canadian software company (which was first bought by the Australian Computershare company and was recently acquired by the leading international technology provider “OMX”), to provide a new trading, clearing and settlement system. The trading component of this system started operations in May 2001.

According to the Exchange’s trading regulations, the price of stock is restricted to a five percent ceiling/floor from its previous closing price during the trading session. However, CASE has removed the five percent ceiling/floor for the most actively traded stocks (currently 36 stocks), whose companies are in compliance with corporate governance practices.

Main Market Indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume of listed securities</td>
<td>1,184</td>
<td>707</td>
<td>1,202</td>
<td>1,786</td>
<td>4,199</td>
</tr>
<tr>
<td>Volume of unlisted securities</td>
<td>76</td>
<td>197</td>
<td>221</td>
<td>648</td>
<td>1,112</td>
</tr>
<tr>
<td>Total volume of listed &amp; unlisted securities (million)</td>
<td>1,260</td>
<td>904</td>
<td>1,423</td>
<td>2,434</td>
<td>5,311</td>
</tr>
<tr>
<td>Value traded (listed securities)</td>
<td>5,361</td>
<td>5,584</td>
<td>3,740</td>
<td>5,807</td>
<td>26,248</td>
</tr>
<tr>
<td>Value traded (unlisted securities)</td>
<td>1,551</td>
<td>1,813</td>
<td>775</td>
<td>1,001</td>
<td>1,689</td>
</tr>
<tr>
<td>Total value traded (US$ million)</td>
<td>6,912</td>
<td>7,397</td>
<td>4,515</td>
<td>6,808</td>
<td>27,937</td>
</tr>
<tr>
<td>Average monthly value traded (listed securities)</td>
<td>447</td>
<td>465</td>
<td>312</td>
<td>484</td>
<td>2,187</td>
</tr>
<tr>
<td>Average monthly value traded (unlisted securities)</td>
<td>129</td>
<td>151</td>
<td>65</td>
<td>83</td>
<td>141</td>
</tr>
<tr>
<td>Total (US$ million)</td>
<td>576</td>
<td>616</td>
<td>377</td>
<td>567</td>
<td>2,328</td>
</tr>
<tr>
<td>Number of transactions (Listed securities)</td>
<td>1,142,410</td>
<td>739,649</td>
<td>1,205,775</td>
<td>1,675,277</td>
<td>3,992,301</td>
</tr>
<tr>
<td>Number of transactions (unlisted securities)</td>
<td>5,521</td>
<td>94,055</td>
<td>23,602</td>
<td>68,287</td>
<td>217,791</td>
</tr>
<tr>
<td>Total number of transactions</td>
<td>1,147,931</td>
<td>833,704</td>
<td>1,229,377</td>
<td>1,743,564</td>
<td>4,210,092</td>
</tr>
<tr>
<td>Number of listed companies</td>
<td>1,110</td>
<td>1,151</td>
<td>978</td>
<td>795</td>
<td>744</td>
</tr>
<tr>
<td>Number of traded companies</td>
<td>643</td>
<td>671</td>
<td>540</td>
<td>503</td>
<td>441</td>
</tr>
<tr>
<td>Average monthly traded companies</td>
<td>250</td>
<td>237</td>
<td>206</td>
<td>200</td>
<td>186</td>
</tr>
<tr>
<td>Market capitalization end of year (US$ billion)</td>
<td>24.4</td>
<td>26.4</td>
<td>28.0</td>
<td>37.6</td>
<td>79.4</td>
</tr>
<tr>
<td>Market capitalization as a % of GDP</td>
<td>31</td>
<td>32</td>
<td>41</td>
<td>53</td>
<td>87</td>
</tr>
<tr>
<td>Turnover Ratio (%)</td>
<td>14.1</td>
<td>9.5</td>
<td>11.5</td>
<td>14.2</td>
<td>31.1</td>
</tr>
<tr>
<td>Exchange Rate (LE/US$)</td>
<td>4.60</td>
<td>4.62</td>
<td>6.15</td>
<td>6.22</td>
<td>5.75</td>
</tr>
<tr>
<td>Foreign participation as % of total value traded</td>
<td>16</td>
<td>19</td>
<td>20</td>
<td>27</td>
<td>30</td>
</tr>
</tbody>
</table>

Securities include stocks, bonds and mutual funds
Market Capitalization = no. of listed shares x market price end of year
Turnover Ratio (%) = value traded of listed shares / market capitalization
CASE launched CASE 30 Price Index, on 2 February 2003.

- A free float market capitalization weighted price index.
- Consisting of the top 30 companies in terms of liquidity and activity.
- A proxy for overall market movements.

CASE 30 Index showed an extra-ordinary performance during 2005, recording the highest ever annual growth rate of 146 percent versus an increase of 135 percent and 122 percent during 2003 and 2004, respectively. The index concluded the year at a historical high of 6325 points, with a cumulative growth of 1183 percent over the three years.
Market participants
As of December 2005

- One Clearing, Settlement & Depository Company (MCDD)
- Brokerage Firms (135)
- Custodians (22)
- Venture Capital Firms (14)
- Underwriters (32)
- Private Equity Firms (80)
- Portfolio Management (35)
- Mutual Funds Management (19)
- Rating Companies (4)
- Primary Dealers (13)