A GUIDE TO
BUSINESS LAW IN EGYPT

by

DR. FLORIAN AMEREller
LL.M.

and

DR. KIlian Bälz
LL.M.

and

DR. SVEN KLAIBER

Attorneys
Amereller Rechtsanwälte Partnerschaft
Amereller Legal Consultants
Disclaimer

The information in this Guide has been carefully researched and reviewed. However, it is by no means a comprehensive account of the laws applicable to doing business in Egypt. This Guide is presented on the understanding that the authors and editors do not render any legal, accounting, or other professional service. It is intended to serve solely as an overview and an introduction to Egyptian business laws. It cannot be a substitute for qualified legal advice. Instead, its aim is to provide a general overview of the most significant rules and regulations that are relevant to foreign investors intending to do business in Egypt, and to assist in preparing for discussions with qualified professional and legal advisers. This is especially true, given that Egyptian law continues to be subject to rapid change, on the level of legislation, administrative practice and case law, with further legal amendments and reforms likely in the future.

When doing business in Egypt, foreigners also must always be aware that the law and actual practice often diverge. It is not uncommon for legal issues to be interpreted and decided in ways that contradict the clear wording of the law as written. Accordingly, this Guide cannot and should not serve as a basis for decisions concerning investments and other business transactions. In no circumstances will the authors, editors, or the publisher be liable for any direct, indirect, or consequential loss or damage arising out of the use of this Guide.

© Copyright 2010 Amereller Legal Consultants.

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise), or stored in any retrieval system, without the express written permission of the copyright holder.
FOREWORD

Stability, economic freedom and an investment friendly environment; only few would attribute these characteristics to any market in the MENA region. Too often the memories of the era of Gamal Abdel Nasser and its socialist market structure still dominate the thinking of potential investors, even today. This era, however, is long past. The Egyptian government has recognized the economic importance and the demand-driven power of foreign direct investment and has thus declared the attraction of foreign direct investment a political priority.

Egypt is implementing a reform agenda, which begun with the enactment of new Investment Laws and a fundamental reform of the Companies' Law. Evidence of this approach can be found in a recent amendment of the Labour Law and a liberalization of the Tax Law. These measures are designed to increase the attractiveness of Egypt’s domestic market and are complemented by the introduction of a new Anti-Competition Law, which created a better framework for the development of business activities within Egypt.

Moreover, it is essential to take advantage of changing times and to take adequate steps to adapt to new developments. Consequently, Egypt is in the process of adopting comprehensive measures for the promotion of renewable energy; it has further initiated a legal framework for electronic business transactions/international electronic commerce. It goes without saying that also the Egyptian banking system was subject to a profound reorganisation. Hence it is not a coincidence, but thanks to the restrictive Egyptian Capital market structure, that the Egypt's financial sector was able to survive the recent international financial and banking crisis relatively unharmed.
Despite these positive developments, it must not be denied that the slow moving Egyptian bureaucracy still requires comprehensive reform and that the opaque and often inconsistent legislation constitutes an obstacle to any attempt by the foreign direct investors to understand the Egyptian market. One thing is particularly important to mention namely that Egyptian legal theory and practice are often entirely different and that much new legislation which implements a number of promising initiatives, turns out in practice to be wholly or partially unenforceable.

On this note, this “Doing Business Guide” at hand is only to be used as an instrument that facilitates orientation on the Egyptian market and opens perspectives for successful investments. Specific consultations are, however, in many cases indispensable for any investment in Egypt. For this purpose, our teams in Cairo, Dubai and Munich are at all times at your service.

Cairo, September, 2010
Dr. Florian Amereller
TABLE OF CONTENTS

I. Introduction ........................................................................................ 13

II. The Egyptian Legal System ................................................................ 14

III. The Civil Code ................................................................................ 15
     1. Freedom of Contract ................................................................. 16
     2. Conclusion of Contracts ............................................................ 16
     3. Capacity ..................................................................................... 18
     4. Invalidity ..................................................................................... 18
     5. The Interpretation of Contracts .................................................. 19
     6. Adjustment of Contracts ............................................................ 20
     7. Third-Party Authorization .......................................................... 21
     8. Sales Contracts ........................................................................ 21
        a. Warranties ........................................................................... 22
        b. Consumer Protection Law .................................................... 23
        c. UN International Sales Convention ..................................... 24
        d. Retention of Title .................................................................. 25
     9. Construction Contracts ............................................................... 26
    10. Damages ..................................................................................... 28
    11. Unforeseeable Events ............................................................... 29
    12. Force Majeure .......................................................................... 29
    13. Interest ....................................................................................... 29
    14. (Statute of Limitations) ............................................................... 30
    15. Termination of Contracts .......................................................... 32
    16. Assignment of Rights and delegation of Duties .......................... 33

IV. Islamic Law ....................................................................................... 33

V. Egyptian Commercial Code .............................................................. 34
     1. General Overview ................................................................. 35
     2. Traders ...................................................................................... 35
     3. Commercial Books and Records .............................................. 36
     4. Technology Transfer ............................................................... 36
     5. Checks ....................................................................................... 37
VI. Commercial Agency Law.................................................................39
1. Legal Framework ........................................................................40
2. Types of commercial agents .......................................................40
   a. Definitions of the Commercial Code .....................................41
   b. Definitions of the Commercial Agency Law .........................44
   c. Definitions of the Civil Code ..............................................45
3. Registration of Commercial Agents ............................................46
   a. Individuals ............................................................................46
   b. Juristic Persons .....................................................................48
   c. Commercial Agency for the Import of Goods .......................49
   d. Form S-14 .............................................................................49
   e. Minimum Content of an Agency Agreement ........................50
   f. De-registration ......................................................................51
   g. Failure to Comply with Registration Requirements ...............52
4. The Legal Status of Commercial Agents ....................................53
   a. Commissions ........................................................................53
   b. Compensation .......................................................................54
   c. Exclusivity ............................................................................55
   d. Information ...........................................................................55
   e. Other Specific Legal Provisions ............................................56
5. Commercial Agency Agreements ...............................................57
   a. Territory ................................................................................57
   b. Term ....................................................................................58
   c. Del Credere .........................................................................58
   d. Choice of Law Clauses .........................................................59
   e. Jurisdiction and Arbitration Clauses .....................................60
6. Termination of an Agency Agreement ........................................60
   a. Termination with Cause .......................................................61
   b. Termination for Convenience .............................................61
   c. Notices .................................................................................63
   d. Non-Renewal of an Agency Agreement .................................63
   e. Waiver of Rights ..................................................................64
7. Old Agreements ..........................................................................64
8. Distributors ................................................................................65
9. Franchise Agreements ..............................................................66

VII. Law relating to companies .......................................................66
1. Representation Offices ..............................................................67
2. Branch Offices ................................................................. 68
  a. Registration ................................................................. 69
  b. Taxes, Bookkeeping .................................................... 69
3. Limited Liability Companies ............................................ 70
  a. Statutes ........................................................................ 70
  b. Partners’ Agreement .................................................... 70
  c. Minimum Capital; Partners; Name ................................. 71
  d. Management ............................................................... 72
  e. Fiscal Year .................................................................... 72
  f. Employee Participation in Profits .................................... 72
  g. Supervisory Board ....................................................... 73
  h. Transfer of Quotas ....................................................... 73
4. Joint Stock Companies .................................................... 74
  a. Statutes ........................................................................ 74
  b. Minimum Capital and Shareholders ............................... 74
  c. Shares .......................................................................... 75
  d. Non-Egyptian Ownership; Name ................................. 76
  e. Management ............................................................... 76
  f. Employee Participation in Profits .................................... 77
  g. Shareholders’ Meetings ................................................ 78
  h. Transfer of Shares ....................................................... 79
5. Formation of Joint Stock and Limited Liability Companies ... 79
6. Partnerships ........................................................................... 80

VIII. Mergers and Acquisitions ............................................. 81
1. Legal Framework .............................................................. 81
2. Merger of a Limited Liability Company into a Joint-Stock
   Company under Egyptian Law ........................................ 82
3. Merger Procedures ............................................................ 82
4. Letter of Intent ................................................................. 83
5. Due Diligence ................................................................. 84
6. Acquisition Agreement ..................................................... 85
  a. Joint-Stock Company .................................................... 86
  b. Limited Liability Company ......................................... 87
IX. Capital Market Law ........................................................................ 88

X. Competition Law ............................................................................... 90

XI. Investment Law ............................................................................... 93
  1. Advantages .................................................................................... 95
  2. Privileged Areas of Business ......................................................... 96
  3. Tax Exemptions ............................................................................ 98
  4. Contracts ....................................................................................... 98
  5. Industrial Projects ........................................................................ 99
  6. Free Zones ..................................................................................... 99
     a. Public Free Zones ................................................................ 100
     b. Private Free Zones ................................................................ 101
  7. Application to GAFI ................................................................... 102
  8. Settlement of Corporate Disputes ............................................... 103
  9. Investment Protection Agreements ............................................. 103
 10. Special Economic Zones ........................................................... 105

XII. Technology Transfer ................................................................... 105
  1. Definition .................................................................................... 106
  2. Form and Content ........................................................................ 106
  3. Control of Content ....................................................................... 106
  4. Jurisdiction, Choice of Law, and Term ....................................... 107

XIII. Protection of Intellectual Property ........................................... 108
  1. Patent Law ................................................................................... 109
     a. International Treaties ............................................................ 109
     b. Patentability .......................................................................... 110
     c. Employee Inventions ............................................................ 111
     d. Duration ................................................................................ 111
     e. Procedures ............................................................................. 112
     f. Patent Rights ......................................................................... 112
     g. Patent Infringement .............................................................. 113
  2. Trademarks .................................................................................. 113
     a. International Treaties ............................................................ 113
     b. Protection of Trademarks ..................................................... 114
     c. Acquisition of Trademarks .................................................. 115
d. Period of Protection .............................................................. 116
   e. Procedure in Cases of Trademarks ....................................... 116
   f. Loss of a Trademark .............................................................. 117
   g. License Agreements.............................................................. 117
   h. Infringement Proceedings and Injunctions ........................... 118

3. Copyright..................................................................................... 120
   a. International Treaties ............................................................ 120
   b. Protected Works ................................................................... 121
   c. Copyright Owner .................................................................. 122
   d. Period of Protection .............................................................. 123
   e. Copyright Infringement and Injunctions ............................... 123
   f. Trade secrets .......................................................................... 125
   g. Plant Varieties....................................................................... 126
   h. Layout designs of integrated circuits .................................... 126

XIV. Acquisition of Real Estate by Foreigners ................................. 126
    1. Purchase of Real Estate for Business Operations .................. 127
    2. Purchase of Residential Real Estate ..................................... 128
    3. Purchase of Real Estate in Tourist Projects ........................... 128
    4. Other Laws............................................................................. 128
    5. Sale and Purchase Contracts................................................ 129
    6. Real Estate Registration.......................................................... 129
    7. Mortgage Finance................................................................. 130
       a. Purpose of mortgage finance ......................................... 130
       b. Features of mortgage finance ..................................... 130
       c. Default ........................................................................ 131
    8. Taxation and Fees ................................................................ 131
       a. Taxes ........................................................................ 132
       b. Fees ....................................................................... 134

XV. Labour law.................................................................................... 134
    1. Legal Basis............................................................................ 135
    2. Labour Contracts................................................................. 135
    3. Working Hours and Holiday ................................................ 136
    4. Medical and Social Insurance .............................................. 136
    5. Termination and Dismissal .................................................... 137
       a. Termination .................................................................. 137
       b. Dismissal ................................................................. 139
6. Work Permits .............................................................................. 141

XVI. Banking law .............................................................................. 142
1. Structure of the Banking Sector .................................................. 142
   a. Foreign Participation .......................................................... 143
   b. Foreign Banks .................................................................. 143
   c. Islamic Banks .................................................................... 144
2. Keeping an Account with an Egyptian Bank .............................. 144
   a. Opening a Private Account .............................................. 145
   b. Opening a Business Account .......................................... 145
   c. Bank Secrecy .................................................................. 145
3. Granting of Loans ..................................................................... 146
4. Means of Payment and Guarantees .......................................... 147
   a. Payment by Credit Transfer and Cheques ........................ 148
   b. Letters of Credit .............................................................. 148
   c. Payment upon presentation of Documents ..................... 149
5. Currency Law ........................................................................... 149
6. Anti Money-Laundering Law...................................................... 151

XVII Structured Finance ................................................................ 153
1. Real Estate ............................................................................... 153
   a. Mortgage ....................................................................... 153
   b. Possessory Pledge ......................................................... 154
2. Tangible movable Property ...................................................... 155
3. Shares and Financial Instruments .......................................... 156
   a. Pledge of Shares .............................................................. 156
   b. Pledge of Bonds .............................................................. 156
4. Claims and receivables ............................................................ 157
   a. Assignment .................................................................... 157
   b. Pledge .......................................................................... 157
5. Future Assets and Fungible Assets ........................................... 157
   a. Future Assets ................................................................. 157
   b. Fungible Assets ............................................................. 157
6. Enforcement and Insolvency ..................................................... 158
   a. Enforcement Measures ................................................... 158
   b. Company Rescue or Reorganization .............................. 158
   c. Voidable Transactions ................................................... 158
   d. Priorities ...................................................................... 159
7. Cross-Border Issues................................................................................. 160
   a. Restrictions on Granting Security to Foreign Lenders........ 160
   b. Exchange controls....................................................................... 160
   c. Foreign Law in Security Documents........................................... 160

XVIII. Tax Law.......................................................................................... 153
   1. Income Tax of Natural Persons..................................................... 161
   2. Income Tax of Legal Persons....................................................... 162
   3. Sales Tax .................................................................................... 163
   4. Stamp Duty .................................................................................. 163
   5. Withholding Tax .......................................................................... 164
   6. Free Zone Tax Exemption............................................................. 164
   7. Real Estate Tax ............................................................................ 165
   8. Agreements for the Avoidance of Double Taxation ................. 165

XIV. Imports and Customs......................................................................... 165
   1. Laws and Regulations ................................................................. 166
   2. Imports ........................................................................................ 166
   3. Importers’ License ....................................................................... 167
   4. Customs Privileges ....................................................................... 169
   5. Exemptions from Customs........................................................... 170
   6. Dispute Resolution ...................................................................... 172

XV. Private International Law..................................................................... 172

XVI. Civil Procedure Law .......................................................................... 174
   1. Court Structure ............................................................................ 174
   2. The Economic Courts Law........................................................... 176
   3. The Recognition and Enforcement of Foreign Judgments........... 179
   4. The Recognition and Enforcement of Foreign Arbitral Awards . 180

XVII. Public Tender Law............................................................................ 182
   1. The Procurement of Movable Goods and Services .................... 182
      a. Tenders Procedures .................................................................. 183
      b. Negotiation Procedures.......................................................... 184
      c. Direct Agreements ................................................................... 185
   2. The Sale and Lease of Public Goods and Real Estate ............... 186
   3. Operation Models (BOT, etc.)...................................................... 186
5. Contracts with the Public Sector ........................................................ 187

XVIII. Privatisation ............................................................................. 188

XIX. Environmental Law ...................................................................... 190
1. Laws and Executive Regulations ....................................................... 191
2. The Environmental Authority ........................................................... 191
3. Environmental Protection Fund and Environmental Protection
   Initiatives ..................................................................................... 192
4. Protection of Landscape and Soil from Pollution .............................. 192
5. Protection of Air and Water .............................................................. 194
6. Penal Provisions ............................................................................ 194
7. Renewable Energies ....................................................................... 195
   a. Institutional Framework ................................................................. 196
   b. The New Draft Electricity Law 2009 ........................................ 197
8. CDM Projects .............................................................................. 200
   a. Clean Development Mechanism .................................................. 200
   b. Designated National Authority ................................................... 202
   c. Project Evaluation and Permit Procedure ................................. 203

XX. Electronic Signature Law ............................................................... 205
1. Overview of the Law ...................................................................... 205
2. Main Features of the Law ................................................................. 206
3. Major areas of application ............................................................... 208

XXI. Annex 1: Public Funding and Public Financial Assistance ... 210
1. German Federal Government and States ........................................ 210
   a. Hermes Cover ........................................................................... 210
   b. Direct Investment and other Warranties ................................. 211
   c. German Investitions- und Entwicklungsgesellschaft ............. 212
   d. Public Private Partnership ....................................................... 213
   e. Kreditanstalt für Wiederaufbau ................................................. 213
2. European Investment Bank ............................................................... 214
3. World Bank Group ....................................................................... 215
4. Other Programs ............................................................................ 215
XXII. Annex 2: Establishment of a Limited Liability Company under Law no. 159/1981 ................................................................. 216
1. Documents Required ................................................................. 216
2. Formation Procedures .............................................................. 217
3. Approximate Establishment Costs in LE ............................... 219
4. Model Statutes of Limited Liability Company ...................... 221

XXIII. Annex 3: Directory of Addresses ...................................... 249
1. German-Arab Chamber of Industry and Commerce .............. 249
2. EU Delegation ...................................................................... 250
3. Embassies and Consulates ..................................................... 251
4. Egyptian Chamber of Industry and Commerce ................... 252
5. Egyptian Ministries ............................................................... 253
6. Egyptian Administrative Authorities .................................... 254
7. Representation of the UN in Egypt ....................................... 257
8. German Institutions in Egypt ................................................. 258
9. German Press in Egypt ......................................................... 260

XXIV. Annex 4: Authors and Law Firm ....................................... 262
1. Authors ............................................................................. 262
2. Law Firm .......................................................................... 264
3. Offices ............................................................................. 264
I. Introduction

In the Egyptian Cabinet reshuffle of early 2005, a number of respected economic liberals were appointed to key positions. This has raised hopes that long-standing economic challenges would finally be addressed. Such challenges include building business confidence, stimulating rapid private sector-led economic growth, arresting the deterioration of public finances, and bringing greater coherence and transparency to the monetary policy and the management of exchange rates.

The pace at which the new Cabinet embarked on reform surprised many observers, given the well-documented caution of the political leadership.

With a population of more than 70 million and the forecast of a stable economic growth rate of between 4% and 7% for the period between 2005 and 2009, Egypt is striving to regain its image as a “tiger on the Nile.” Continued economic liberalization efforts, strengthening the private sector, and privatisation of state-owned enterprises, will all continue to contribute to the creation of a coherent and healthy economic environment as well as a climate increasingly favourable to foreign investment. In addition, the impact of the global financial crisis, to the extent this can be assessed at the time of writing this Guide, has been far less detrimental to the Egyptian economy. Although the global economic climate is felt in Egypt as well, the tightly regulated and conservative banking sector proved to be much less vulnerable to the global financial crisis, in particular in comparison to some other Arab economies.
As a result of these recent reforms, more and more foreign enterprises are beginning to consider Egypt not only as a market for their products, but also as a site for production and a springboard into the Arab world. However, entry into the Egyptian market is often difficult without knowledge of its laws, regulations, and practices. Moreover, the choice of a suitable local partner – whether as a shareholder, commercial representative, authorized dealer, or importer – is a decisive factor in determining commercial success in Egypt.

II. The Egyptian Legal System

The Egyptian legal system is largely modeled on continental European legal systems. This is particularly true with respect to Egyptian civil and commercial laws. Most Arab states, in turn, have based their legal systems on Egyptian law. Consequently, Egyptian legal experts have influenced, and continue to be influence the development of a number of Arab legal systems. By contrast, the application of Islamic law is limited, primarily, to family and inheritance issues and has, in practice, no relevance for commercial matters.

The adoption of Western laws in Egypt can be traced back to the period of legal and administrative reform brought about by Mohamed Ali between 1805 and 1849. Another enormously important development was the establishment of the so-called "Mixed Courts" (1876 – 1949), which assumed jurisdiction over all financial disputes, including foreign interests. These courts were staffed with both Egyptian and foreign judges – hence the term 'mixed.' Foreigners clearly outnumbered Egyptians on these courts and decisions were based on modern legal codes, in
particular adaptations of the French "Code Civil" and "Code de Commerce."

The predominance of these courts, with their Western influence, over so many years had a significant impact on the shaping and development of modern Egyptian law. Compared with some other Arab states, which have only developed their legal systems during the past thirty years, Egypt has a relatively long-standing and sophisticated legal system, which, however, creaks under the weight of a vast number of decrees and administrative regulations.

In a regional context, Egypt has a relatively modern and effective legal system. By European standards, however, the Egyptian legal system is still relatively bureaucratic and inefficient. The courts remain understaffed and poorly equipped and these shortcomings often result in lengthy litigation and difficulties of enforcement. It remains to be seen whether the introduction of the new “Commercial Courts” will improve the position.

III. The Civil Code

The Egyptian Civil Code (Law No. 131/1948, “CC”) was promulgated in 1948 and came into force in 1949. Drafted by the prominent and French-educated scholar Abd El Razzaq Al Sanhouri, the Civil Code became a model for a number of civil law codifications in the Arab world.

The Civil Code is divided into a short introduction and two main parts. The introduction deals with general issues, such as applicable legal sources, the distinction between individuals and
legal entities, and the classification of “things”. The first main part regulates the Egyptian "Law of Obligations,” such as tort, general contract law, sales, barter transactions, gifts, partnerships, loans, leases, agency, and insurance. The second main part deals with the transfer of property, usufruct, easements and charges on real property. Egyptian Family and Inheritance law, which are still governed by Islamic law, are regulated by special laws outside the CC.

1. Freedom of Contract

The Civil Code adopts the principle of freedom of contract, which allows parties freely to choose the terms of their agreement. However, freedom of contract has its limits and is restricted by several mandatory statutory provisions generally designed to protect weak parties from legal exploitation (such as minors or consumers). Moreover, an agreement may not violate the Egyptian Ordre Public or morality.

2. Conclusion of Contracts

A contract is defined as an agreement between two or more parties. Three major elements are essential in order to form a legally binding contract:

- Mutual consent, i.e. offer and acceptance;
- Specific subject matter defined by the contract; and
- “Cause” (or broadly, “Consideration”) for the mutual obligations.
The Egyptian Civil Code regulates the conclusion of a contract in Article 89 through 98. The exchange of mutual consent or agreement, i.e. offer and acceptance, must be intentional (express or implied) and made between parties with full legal capacity to enter into binding legal obligations. The relevant point in time for the conclusion of a contract is the moment of the acceptance of the offer (Article 91 of the CC).

If the offeror sets a time limit for acceptance of the offer, the offeror must hold the offer open until expiration of the time limit (Article 93 of the CC). If the offeree is present when an offer is made, the offeree must accept the offer immediately, or the offeror is released (Article 94(1) of the CC). A qualified acceptance, which contains conditions, additions, restrictions, or new terms, is considered a rejection and a counteroffer (Article 96 of the CC). An offer may also be accepted implicitly, provided the law does not stipulate otherwise or the parties have waived the requirement of an explicit acceptance (Article 90(2) of the CC).

As a general rule, oral contracts are binding, but they may be difficult to prove. The Egyptian Law of Evidence (Law No. 15/2004) stipulates, however, that the existence of a contract may not be established by witness testimony, if the value of any legal transaction, which is non-commercial, exceeds LE 500 or is otherwise not determined. Accordingly, such contracts are in practice required to be in written form. Some other contracts, such as conveyances of real property and agreements for arbitration, must (regardless of the Evidence Law) be in writing.

Since the introduction of the Electronic Signature Law (Law No. 15/2004) it is, furthermore, also possible to conclude a contract in an electronic form. The Electronic Signature Law makes it possible to identify and authenticate an electronically
exchanged declaration of intent and stipulates its evidential value before the Egyptian courts.

The subject matter of a contract and its legal foundation ordinarily do not constitute a problem in light of the freedom of contract provided under Egyptian law. If the object of a contract is, however, impossible to fulfil, such a contract will be null and void (Article 132 of the CC, for other grounds for invalidity see section 4 below)

3. Capacity

To enter into a legally enforceable contract, each party must have the legal capacity to contract. The Egyptian Civil Code generally stipulates that every natural person who is older than 21 years has the full capacity to conclude legally binding contracts (Article 44 of the CC). Egyptian law lists also some categories of persons who are incapacitated (e.g. minors, persons with mental incompetence, and intoxicated persons). Such persons must obtain the approval of their legal guardian to conclude a binding contract.

4. Invalidity

A legally invalid contract is unenforceable. A contract is ordinarily void, if its object constitutes a violation of the Egyptian morals or a propitiatory provision (Article 135 of the CC).

To determine, whether a legal transaction is void because it violates a propitiatory provision, such provision must be interpreted in the spirit and purpose of the law. If a provision affects the content of legal transaction in question, the whole agreement will be void. The purpose of the propitiary provision
may, however, be such that only the applicable clause is void whilst the rest of the contract remains in force.

A contract may be declared invalid based on a mistake (Article 121 and 122 of the CC) or fraud (Article 125 of the CC). Another ground for the invalidity is based on the doctrine of duress, which requires that a contract may not be induced by the threat of physical or economic harm (Article 127 of the CC). Finally, a contract is deemed void if it violates Egyptian public order; examples include contracts to commit unlawful acts, contracts that interfere with the administration of justice, and some contracts in restraint of trade.

5. The Interpretation of Contracts

The Civil Code provides that contracts must be interpreted in accordance with their provisions, the will of the parties, all applicable laws and commercial customs.

In principle, the will of the parties as expressed in the words of the contract will override the subjective intentions of the parties, if different. If the wording of a contract is clear, the meaning cannot be altered by means of interpretation (Article 150 (1) of the CC). However, if the language or provisions of contract are ambiguous or contradictory, the contract must be interpreted. In such cases, the Civil Code permits the Court to ascertain the mutual intent of the parties and to go beyond the literal meaning of the words, taking into account the nature of the transaction, as well as the good faith that would reasonably exist between the parties in accordance with prevailing customs (Article 150 (2) of the CC). Another principle in the interpretation of contracts is that, in case of doubt, contracts must be interpreted in favour of the party on whom the relevant obligation rests. (Article 151 (1) of the CC).
Furthermore, Article 149 of the CC provides for judicial review of the standardized general conditions of so-called contracts of Adhesion, which is in principle comparable to the judicial review of standard form contracts. Egyptian case law has defined, however, the scope of application of Article 149 very narrowly: The only standard form contracts subject to judicial review are those which are concerned with the requirements of everyday life and in which a consumer contracts with a monopoly a quasi-monopoly offeror. In cases of doubt, standard terms of business in contracts of Adhesion must be interpreted to the disadvantage of the party putting forward those terms (Article 151 (2) of the CC).

6. Adjustment of Contracts

The legally binding nature of contracts is derived from the law’s general protection of agreements made in good faith. However, in special circumstances, courts may override the binding force of contracts to create equitable solutions between the parties. Depending on the facts of the case and the parties to the contract, the courts may amend the provisions to accommodate unforeseen events, or they may rule on the meaning of a contract in the light of the intent of parties, even if the contract is formally void. Moreover, Contracts of Adhesion are subject to judicial review due to the fact that the adhering party must “surrender” to the quasi-monopolistic offeror the right to impose his conditions (see III.5).
7. Third-Party Authorization and Representation

A contract can be concluded by the contractual parties or by a duly authorised representative (Article 104 of the CC).

The existence of the power of representation and the disclosure of the fact of representation is required to empower the representative to act on behalf of the principle. If a contractual partner is a company and the representative is an employee of such company, the company should issue a power of attorney that certifies the power of representation of said employee to act on behalf of the company in the specific subject matter of the negotiation. If the representative is a third party (e.g. an attorney or a financial advisor), a power of attorney in favour of such third party should be requested.

In relation to third-party authorizations, the CC also contains provisions concerning:

- Situations in which representatives act against the instructions of principals;
- Revocation of authorisations;
- The authority of representatives where principals are placed under guardianship or declared bankrupt; and
- Third party rights to damages from representatives exceeding their authority to act on behalf of their principals.

8. Sales Contracts

Sales contracts are regulated in Articles 418 to 481 of the CC. Sales contracts are defined as contracts in which sellers oblige
themselves to transfer their ownership of goods to purchasers in exchange for money or other valuable consideration. If the object of a sale is ascertainable and movable, transfer of title becomes effective upon conclusion of the sales contract (Article 429 of the CC, in connection with Article 932 of the CC). The rules of the Civil Code governing contracts of sale include a number of concepts that are designed to ensure full knowledge of the contract terms by both parties and equivalent benefits as between the parties. Transfer of title and full payment must take place at the same time, unless this is otherwise stipulated in the contract otherwise.

a. Warranties

If an item sold has a material defect, the buyer may claim compensation, reduction of the purchase price or revocation of the underlying purchase agreement. Such a warranty claim must be made within one year after delivery of the item sold, unless otherwise agreed by the parties (Article 452 of the CC). Exempt from this warranty period are material defects in relation to which the buyer was fraudulently deceived. Warranty claims are barred, if the material defect was known to the buyer at the time of the conclusion of the contract (Article 447 (2) of the CC). The buyer is obliged to examine a purchased item and to report a material defect within a reasonable time (Article 449).

Specific provisions are applicable to claims based on a contractual warranty. A contractual warranty will normally apply to defects that affect the durability or suitability of a purchased item. The seller must be notified of a claim arising from a contractual warranty within six months after the appearance of that
defect and must lodge a claim within another six months after the notification of the seller (Article 455 of the CC).

b. Consumer Protection Law

On 14 May 2006, Parliament adopted Egypt’s first Consumer Protection Law (Law No. 67/2006, “CPL”). The CPL reaffirms the rights of consumers outlined in the United Nations Guidelines for Consumer Protection. These rights include access to information about products, the disclosure of the identity of the manufacturer and importer, the consumer’s ability to raise concerns or complaints before competent authorities, as well as the right to pursue legal action against manufacturers, importers and distributors.

In the light of these rights, the Consumer Protection Law imposes for example the following obligations on vendors:

- to disclose their identity in any commercial transaction with a consumer (Article 4 of the CPL);
- to issue a detailed invoice showing the product specifications, upon the request of a consumer (Article 5 of the CPL), and
- to avoid giving misleading information (Article 6 of the CPL).

In the case of defective goods, a consumer has the right to either require their replacement or return and repayment of the sale price, within 14 days after receiving the goods (Article 8 of the CPL). The Consumer Protection Law also provides for a minimum fine of LE 5,000 to be imposed in the event of a breach
of any of the above-mentioned provisions. In case of a further offence, the fine is to be doubled.

Finally, the Consumer Protection Law promulgates the creation of a state authority for consumer protection to receive consumers’ complaints arising from violations by commercial concerns. For this purpose, a three-step procedure shall be established. If the commercial concern and the consumer do not reach a settlement, a non-governmental organization can intervene. If such intervention does not result in a settlement, the case is referred to a mediation committee allocated by the state authority for consumer protection. This committee has, however, no binding decision-making power. Consumers are, therefore, free to seek, in a third step, legal protection before the state courts. The most notable aspect of the Consumer Protection Law is in practice that it gives a civil association the right to file lawsuits against offenders on behalf of the aggrieved consumer (Article 23 of the CC).

c. UN International Sales Convention

Egypt signed the United Nations Convention on Contracts for the International Sale of Goods (“CISG”) on the 11 April 1980, which came into force on the 1 January 1988. On the sale of goods between signatory parties (e.g. Germany, Austria or Switzerland) and Egypt, the provision of the CISG are, thus, applicable (Article 1 (1) of the CISG), unless the parties have excluded the application of the CISG or have contractually chosen the law of a state which is not party to the CISG (otherwise the Court will apply the provisions of the CISG as part of the internal rules of the chosen legal order). Furthermore, the CISG is applicable, when
the Egyptian rules of private international law lead to the application of Egyptian law (Article 1 (2) b of the CISG).

The CISG is only applicable on the international sale of goods. The Convention does not apply to the sale of goods bought for personal use (Article 2 of the CISG)

The CISG includes certain provisions that are more in favour of the buyer than many national jurisdictions, for instance a 12 month limitation period for buyers in action for breach of warranty. Therefore, it might be advisable for a seller to exclude the application of the CISG or at least to waive the respective provisions of the CISG (if this is possible). In international legal transactions, the CISG has, however, also many advantages. First, it is a regulatory system that is internationally accepted and thus, can easily be applied by “mixed” arbitration tribunals, since its application avoids the problems, which ordinarily occur when arbitrators have to apply an unknown jurisdiction. Furthermore, the application of the CISG could be a compromise solution, if the parties cannot reach an agreement on the applicable law. However, it should be borne in mind that the scope of the application of the CISG is limited. Outside the scope of the CISG are, for instance, the substantive requirements for the formation of a purchase agreement, such as the absence of intent Therefore, these elements must be considered in regard of the applicable law.

d. Retention of Title

Egyptian law recognizes the legal concept of retention of title. Its requirements and legal consequences are regulated in Article 430 of the CC. Accordingly, the parties to a contract may agree that title to movables and real estate will not pass until the
full purchase price has been paid. On full payment of the purchase price, the title of property is deemed to have been retrospectively transferred from the time of the conclusion of the relevant purchase agreement. In the event that the buyer does not pay all instalments and the seller, as a result, withdraws from the contract, the parties may agree that the seller may retain a part of the instalments already paid as damages. In case of dispute, the competent court may reduce the agreed indemnification if the estimated damages were excessive. Even though the retention of title is legally effective between the contracting parties, it has no effect in relation to third parties in case of bankruptcy. Thus, if the buyer is bankrupted, the goods sold under the retention of title, will be, nevertheless, part of the assets in the insolvency. The seller has in this case no separate claim for separation and recovery of assets. The effects of a retention of title are thus limited and a seller would be well advised to explore other means of taking security.

9. Construction Contracts

Construction Contracts are governed by Article 646 et seq. of the CC under contracts for works. Article 646 of the CC defines a contract for work as a contract in which one of the contracting parties undertakes to perform specified works and/or services in consideration for remuneration from the other contracting party.

A prime contractor has three principal obligations arising from a construction contract under the Egyptian Civil Code:

- Performance of the work assigned to him in accordance with the provisions of the construction contract concluded between the parties;
- Delivery of the work upon completion, and
Warranty obligations regarding the quality of the work.

Furthermore, Egyptian law includes certain provisions in connection with construction contracts, in which the parties have agreed upon the construction of a building. According to Articles 651 to 654 of the CC (following the French example), architects and contractors are jointly liable for defects in a building for a period of ten years (the “decennial liability”). Any contractual limitation of this liability is deemed null and void. The decennial liability, thus, constitutes a significant risk for foreign building contractors and architects. It is, therefore, advisable, and common practice, for foreign contractors and architects to insure against this risk through an internationally reputable insurance company that complies with applicable international standards.

Such insurance must be differentiated from third party liability insurance, which is obligatory for building works. The latter is regulated in Article 8 of the Law No. 106/1976 (as amended by Law No. 101/1996) that requires third party liability insurance to be approved by the competent authority, if the value of a construction project equals or exceeds LE 150,000.00. The insurance policy must ordinarily cover the following points:

- third party liability of the architect and the constructor for the duration of the construction project, and
- third party liability of the owner for the duration of ten years after acceptance of the construction project.

The insurance policy must follow a model approved by the Minister of Economy.
10. Damages

Where a party to a contract does not fulfil its contractual obligations, the aggrieved party may request that the contract be either performed, or rescinded with a right to compensation by way of damages. Generally, contractual damages are assessed in accordance with the provisions of the contract, with the aim of restoring an injured party to the financial position it would have had, had the contract been performed.

Unless otherwise agreed, a party in breach must compensate the injured party for all damage (direct and indirect) suffered as a result of the breach. The parties to a contract may agree, however, to limit liability in the event of a breach. The parties may exclude, thus, for instance, indirect and consequential damages. The law does, in addition, limit the liability of a party in breach by reference to the principle of predictability and by contract adjustment on equitable grounds.

According to Article 221 of the CC, damages may include the lost profit of the creditor, provided it is a natural result of the non-performance or delay in performance of the contract. However, damages may not exceed the loss actually suffered, except in cases of fraud or gross negligence. Damages fixed by agreement are not due if the debtor is able to establish that the creditor has suffered no loss (Article 224 (1) of the CC). Furthermore, a court may reduce the amount agreed as damages if that sum is grossly excessive or if the principal obligation was partly performed.
11. Unforeseeable Events

The Egyptian Civil Code recognizes the doctrine of "unforeseeable events" under Article 147 (2). These occur if, as a result of unforeseen circumstances, the performance of contractual obligations becomes, if not impossible, excessively onerous so as to threaten the party in breach with heavy losses. In such circumstances, a judge may, depending on the facts and after balancing the interests of both parties, reduce an onerous obligation to a reasonable one. Any agreement to the contrary will be null and void.

12. Force Majeure

Under Article 215 of the CC, payment of damages for non-performance becomes due if a party fails to perform its obligations, unless that party is able to prove that its non-performance arose from a cause beyond its control. This provision also includes cases of Force Majeure, whereas Force Majeure is defined as an extraordinary event beyond the control of the parties, which cannot be prevented by the parties by the exercise of utmost care. The liability of the party in breach is, in addition, limited by criterion of foreseeability, which means that a party in breach is not liable for damage, which was not foreseeable at the time of the conclusion of the contract. The same principle applies in cases of delays in performance.

13. Interest

The statutory interest rate is fixed at 5% for commercial transactions and 4% for civil transactions. A higher rate of up to
7% may be agreed contractually. Particular legal provisions, allowing higher interest rates apply to banks.

The Egyptian courts have refused to enforce foreign judgments and arbitral awards if they provided for contractually agreed interest rates in excess of 7% on number of occasions. This problem has been partly solved by the new Commercial Code, which expressly permits parties to agree to higher interest rates. Even these may not, exceed the rate of interest fixed by the Egyptian Central Bank.

Interest is only payable from the date of submission of a judicial claim for the amount due (Article 226 of the CC). No compound interest may accrue other than in accordance with commercial practice (Article 232 of the CC). Additionally, the total interest claimed may not exceed the amount of the principal claim. The law does not provide for compound interest to be payable on current accounts and leaves these rates to be determined by commercial custom.

14. Statute of Limitations

The period of limitations for actions based on civil obligations is ordinarily 15 years (Article 374 of the CC). However, claims of merchants for deliveries made to individuals are time-barred after one year (Article 378 of the CC). The same one-year limitations period applies to claims arising from the services of certain professionals, for example, lawyers and engineers.

The limitations period for recurring claims arising under contracts for the performance of continuing obligations, such as the payment of rent, wages, pensions, and interest on loans, is five years.
(Article 375 of the CC). However, Egyptian courts have, in a number of cases, applied the 15-year limitations period to cases of recurring claims where the transactions were concluded in writing. Claims for unjust enrichment are statute-barred three years after the date on which the party who made the excessive payment learned of its right to claim restitution, and in any case after 15 years from the date on which the right arose (Article 187 of the CC). According to Article 172 of the CC, a claim for damages as a result of tortious liability due to gross negligence is barred three years after the date the damage has accrued.

The party defending against an alleged breach of contract, or any other party having an interest in the contract, must affirmatively invoke the limitations period as a defence to the lawsuit, since the court is not obliged to take judicial notice of it (Article 387 of the CC). Furthermore, Article 386 of the CC implies that limitations periods do not extinguish a contractual obligation, but are simply a defence to a claim.

According to the Civil Code, time ceases to run under the statute of limitations following any act of a party asserting its rights under the contract in legal proceedings. This applies even if the court ultimately finds that it has no jurisdiction (Article 383 of the CC), whilst the application to an appropriate arbitration committee or tribunal is considered to be the equivalent of the initiation of legal proceedings.

According to Article 384 of the CC, a debtor’s express or implied acknowledgement of a debt also causes time to cease to run under the statute of limitations. The result of time ceasing to run is the commencement of a new limitation period, commencing as of the date time ceased to run (Article 385 of the CC).
15. Termination of Contracts

The two possible grounds for legally terminating a contract are termination for good cause and termination for exceptional reasons. The grounds of termination can be either stated in the contract or – depending of the kind of contract – directly in the law. Ordinarily a contract can only be terminated by a judgment changing the legal status of the contract, unless otherwise agreed by the parties.

In general, a party may terminate a contract without reason, provided the contract expressly includes a right of termination and a proper period of notice is observed. The justification of termination for exceptional reasons, however, is generally restricted to cases in which the continuation of a contract would be unacceptable for the affected party or where the law provides a list of exceptional reasons. Since the law normally only provides exceptional reasons for specific subjects (e.g. labour laws), parties are advised to agree on exceptional reasons in their contract, although the formulation should reflect the requirements of the Egyptian legal practice. Furthermore, it is advisable to consider on the conclusion of a contract, how the termination of that contract should be implemented (restoration of documents, surviving confidentiality obligations etc.)

Parties also have the right to terminate a contract for good cause, as is the case when one party fails to fulfil its obligations under the contract. In such an event, the aggrieved party has the right to terminate the contract and claim compensation for any damages. (Article 157 of the CC).
16. Assignment of Rights and delegation of Duties

Articles 303 through 314 of the CC set out provisions governing the assignments of contractual rights. Contractual rights can be assigned without formality, unless statutory requirements or the terms of the contract provide otherwise. In addition, assignments of rights must be compatible with the legal nature of the right being assigned (Article 303 of the CC). Rights once assigned become enforceable against the debtor and/or third parties entitled to corresponding rights, with the formal delivery to the debtor of the notice evidencing the assignment, or upon the debtor's acceptance of the assignment. The acceptance of an assignment must be dated (Article 305 of the CC). Notices of assignment must be formally delivered by a bailiff or similar official to the place of residence or the business address of the debtor.

An assignment does not affect the debtor’s right to raise objections that existed against the assignor at the time of the assignment of rights (Article 312 of the CC). Unless the parties agree otherwise, an assignor’s liability to an assignee is limited to guaranteeing the existence of the rights assigned, and not the solvency of the debtor (Article 308, 309 of the CC).

IV. Islamic Law

Egypt maintains two separate bodies of law. The Statutes derived from Shariaa (Islamic law) govern family and inheritance, while secular laws (civil and commercial codes) are modelled on the rules and provisions of the French law. Al-Sanhouri, when writing the Civil Code, first dealt with the relationship between
Western and Islamic laws in detail. However, unlike other Arab codifications, e.g. in Kuwait, Jordan, the United Arab Emirates (UAE), and Sudan, the Egyptian Civil Code contains very few rules of an Islamic nature.

Despite the minor importance of Islamic law in modern Egyptian business law, it must be observed that, in 1980, Article 2 of the Egyptian Constitution was amended to read as follows: "The principles of the Islamic Sharia’ are the main source of legislation.” Although some groups and parties called for this amendment to 'Islamize' existing laws and future legislation, this view was not supported by the Egyptian Supreme Constitutional Court, which limited the operation of this clause to the general principles of Islamic law, rather than its specific rules.

Nevertheless, it is always possible that the defendant in a commercial case may defend by alleging that a specific provision of the statutory law on which the plaintiff relies is void as being in contradiction to Islamic legal principles. In normal circumstances, however, the defendant will not succeed with such a defense, as the case law of the Supreme Constitutional Court testifies to a strong will to uphold secular legal provisions and not to allow their invalidation on basis of an alleged incompatibility with Islamic law. However, when interpreting general clauses such as good faith or the public order, Islamic principles may come into play.

V. Egyptian Commercial Code

The new Egyptian Commercial Code (“ECC” or “Commercial Code”) was enacted in 1999 (Law No. 17/1999). This new code replaced the old one, except for provisions from the old code dealing with commercial companies, which remain in
force. The old code had largely remained unchanged until its replacement in 1999.

1. General Overview

The new Commercial Code consists of five parts; each part comprises several chapters. Part one of the ECC sets out general provisions on trade, such as definitions and provisions on commercial records and the commercial register. Part two contains rules on commercial obligations and contracts, such as technology transfer, commercial sale, commercial pledges, deposits, commercial agency, brokerage, storage, transport and freight. Banking transactions form a separate Part three, whereas Part four of the ECC deals with negotiable instruments. Finally, Part five sets out the rules of bankruptcy.

2. Traders

The provisions of the Commercial Code generally apply to any natural or legal person acting as a trader and carrying out commercial activities on a permanent basis. The Code does not apply to small craftsmen engaged in minor commercial activities and who are attempting to make a daily living. According to Part One, Chapter Two of the Commercial Code, all joint stock companies, limited liability companies, and limited partnerships are considered to be traders, as well as individuals engaged in a profession or commercial activity in their own name, or for their own account, subject to certain requirements of age and gender. In principle, any activity carried out by a commercial trader is considered related to that trader’s business affairs and is considered, thus, as a commercial activity. Civil activities carried out by a trader are considered commercial if they were perfomed
to serve a commercial activity, otherwise they are considered of a civil nature. Furthermore, the purchase of goods of any nature with a view to resale or leasing, as well as the formation of a company, are generally considered to constitute commercial activities. Other acts specified in the law and related to business also are considered commercial activities if they are performed on a professional basis.

3. Commercial Books and Records

Every trader is required to maintain commercial books and records, such as a journal and inventory book, if that trader’s capital invested in trade exceeds twenty thousand Egyptian pounds. Journals must record all trade transactions carried out by the trader, whereas inventory books must record details of the traders’ available stocks of goods and copies of annual balance sheets and profit and loss statements.

4. Technology Transfer

Under the ECC, technology transfer is broadly defined as any contract in which technological know-how is transferred against consideration for use in a technical manner. However, the regulations on technology transfer, in particular, have been criticized, since they considerably restrict the contractual freedom of foreign technology owners to transfer technology, know-how, and licences. As a result, a large number of commonly used international clauses contained in licensing and technology transfer agreements have been successfully challenged before Egyptian courts. Technology transfer rules under the ECC are discussed in greater detail in Section XII of this Guide.
The EEC regulates the conditions of the transfer of technology. Every transfer of technology agreement should be in writing, include some details of the know-how techniques, feasibility analysis, instructions, designs, architectural designs, software programs and any other relevant elements. In addition, there are some restrictions about the transparency of the transactions, placing some obligations on the transferor of the technology, and giving jurisdiction to the Egyptian courts over the technology transfer contracts even if the parties agreed to refer a dispute to a different venue. Limitations on nationality: if the beneficiary of the technology has to use experts in running the technology, the experts have to be Egyptians (whether they are resident in Egypt or living abroad) whenever feasible.

5. Checks

The new Commercial Code considerably modified the legal rules pertaining to checks. Under the new ECC, the provisions applicable to negotiable instruments apply whether or not a commercial trader or commercial activity is involved. After a transitional period of six years, the new regulations finally came into effect on October 1, 2005.

One key change, which was heavily criticized by the business community, was the abandonment of so-called non-bank checks. Non-bank checks could be issued by any person on plain paper and were the promise of the issuer to pay a certain sum to the beneficiary on a specified date. Although these checks did not guarantee that the specified amount was available, beneficiaries usually accepted them, because the old law provided for a mandatory prison term for persons issuing worthless non-bank checks. Thus, non-bank checks were commonly used as an easy means of credit or in order to secure a transaction. Under the new
Code, non-bank cheques are no longer considered legal tender and users of them will face a fine or imprisonment. For a cheque to be legally acceptable under the new system, the forms used must be issued by banks to their account holders. The reason for this change was to restore the value of checks as instruments of payment, and not of credit, and to conform to international standards.

However, the new Commercial Code had to take into account the vast number of non-bank checks remaining in circulation. After several postponements, it was finally agreed that checks issued on or after October 1, 2005, must comply with the new regulations. Checks issued before October 1, 2005, remain subject to the legal provisions applicable at the date of its issue, provided that a notary public attested to the issuing date of the check. Attestations of the date by a public notary could be obtained until October 1, 2006.

Further major changes to the law on cheques pertain to requirements as to their form and content. The word "cheque," the bank’s name, the account holder’s name, and the signatory’s name all must appear clearly on the document. New, also, is the requirement that the amount payable to the beneficiary must be written in figures and in words (the latter prevailing in case of a conflict). The new ECC also added another important change: cheques no longer need to specify the date on which the amount is payable; they now must be unconditionally payable, and are required only to set out the date and place of issue. This means that checks are payable immediately upon presentation for payment. Any contrary statement added on the check is void. This last modification does not apply, however, to crossed checks or to government checks.
Pursuant to Article 504 of the Commercial Code, checks drawn in Egypt and payable in Egypt must be presented for payment within six months following their issue. Checks drawn outside Egypt and payable in Egypt must be presented for payment within eight months.

VI. Commercial Agency Law

Non-Egyptian businesses frequently initiate their economic activities in Egypt by appointing commercial agents or authorized dealers. At a later stage, agents may be asked to work with representatives or delegates of the foreign enterprises, or to take in non-Egyptian employees. In some cases, agents may be integrated into the foreign business enterprise through the establishment of joint-venture companies.

Prior to the effective date of the new Commercial Code, Egyptian commercial agency law was more liberal than the laws of the Gulf States. Commercial agency agreements in Egypt could be limited in time and, as a rule, compensation for non-renewal or termination was a matter to be decided for by the parties. It also was possible for the parties to agree freely on the governing law and arbitration provisions. This legal position, which was favourable to foreign parties, has been changed through the introduction of the new Commercial Code - largely to the disadvantage of foreign parties. The legal position of commercial agents and distributors was, further, strengthened by Decree No. 362 of 2005 as issued by the Ministry of Foreign Trade and Industry. It remains to be seen, how Egyptian courts will apply this new legislation. Having regard to the rather lengthy legal proceedings in Egypt, there is basically no legal security in this field.
1. Legal Framework

The Commercial Agency Law (Law No. 120/1982, with its Executive Regulation promulgated by Decree No. 342/1982 and its above-mentioned amendments) sets out the basic legal framework relating to commercial agents and commercial intermediaries, including employed agents. The Commercial Agency Law contains provisions that primarily concern the manner of appointment and registration of commercial agents and the obligations of commercial agents in respect to the local tax authorities. It provides a set of minimum requirements for commercial agency contracts, including but not limited to, in certain cases, the obligation of principals acting through commercial agents to report commissions paid to agents to the Egyptian authorities.

Egyptian Law did not provide for any substantive regulations regarding commercial agencies, until the new Egyptian Commercial Code was enacted in 1999 (Law No. 17/1999, ECC). The Egyptian Commercial Code thereafter includes detailed provisions on commission agents, contract agents and brokers.

Besides the mentioned laws, Egyptian Civil Code (Law No. 131/1948), the Importers Registry Law (Law No. 121/1982) as well as the Import and Export Law (Law No. 118/1975) contain important provisions concerning commercial agencies.

2. Types of Commercial Agents

While Egyptian law regulates commercial agency explicitly, it contains only indirect references to the rules of commercial distribution, although the legal distinction is well-
defined in Egyptian law as well. While a distributor (al-muwaz‘î) sells and distributes products in the domestic market in his own name and for his own account, whereas the agent may act in the name and for the account of his principal.

Unlike in many other Arab States, Egypt does not specifically extend to the distributor the extensive protection it grants to commercial agents. Distribution is, thus, governed by the general principles of Egyptian law regarding the sale of goods in general and commercial sales in particular. In the future, Egyptian courts may, however, start to extend to distributors the protection granted to certain commercial agents.

The ECC distinguishes in Articles 166 seq. of the Commercial Code between commission agents, who are independent entrepreneurs who conclude business transactions in their own name for, and on behalf of, third parties; commercial brokers, who either broker business between others against the payment of commissions, or introduce parties with whom contracts may be concluded; and commercial agents, who broker business transactions for an enterprise or conclude such transactions in the name of the enterprise.

a. Definitions of the Commercial Code

The Commercial Code provides for general rules regarding commercial agency such as rules on the payment of commission, compensation, protection against unilateral termination by the principal and for exclusive jurisdiction of the Egyptian courts in certain prescribed types of dispute (Article 148 through 207 of the Commercial Code, ECC).
As a result of the wording of the Commercial Code, the scope of its application extends only to “the profession of effecting trade operations, for the account of third parties” (Article 148 of the ECC). Accordingly, the mere arrangement and negotiation of contracts is exempt from this broad definition. Hence, more specific rules and definitions regarding the “Contract Agent”, the “Commission Agent” and the “Broker” are contained in separate sections of the ECC, which are described in detail below.

i. **Commission Agent**

Commission Agency is referred to in Articles 166 - 176 of the Commercial Code. A commission agent (wakil bil-umula) undertakes a legal act, in his own name for the principal (consignor) but for the account of the principal. He is remunerated by means of a fixed commission. Contracts are concluded between the commission agent and the customer but for the account of the principal. The commission agent is directly responsible vis-à-vis the third party with whom he contracts. The third party is also directly responsible vis-à-vis the commission agent. Neither the third party nor the principal may have any legal recourse against the other by initiating direct court action except for exceptional cases, e.g. bankruptcy of the commission agent.

ii. **Contract Agent**

The Commercial Code regulates the contract agent (wakil al-‘uqud) in its Articles 177 through 191. He is engaged, without being under an employment contract or a service-hire agreement, in promoting, negotiating and concluding contracts in the name
and for the account of the principal, against payment of commission. A contract agent may also undertake the implementation of the contracts concluded in the name and for the account of the principal.

The contract agent must act on a permanent basis and within a specific territory. He is an entrepreneur and not an employee and may act for several principals in one or more countries. However, according to Article 179 of the Commercial Code, a contract agent may not act as an agent for more than one entity conducting the same type of activity, within the same territory, unless otherwise expressly agreed upon between the parties.

According to the wording of the Commercial Code and the Explanatory Memorandum to the Code the contract agent must conclude the contract in the name of the principal and not only negotiate such contract. As in practice only very few contract agents are granted the authority to conclude transactions on behalf of the principal, contracts agency will only exist in exceptional cases. This means that – in theory – the provisions regarding contracts agency will only apply to very few commercial agents.

However, it is still questionable, whether confining the application of the provisions related to the contract agency, only to those agents who are entitled to conclude the contract, but not those that merely promote and negotiate it, meets the intention of the legislature in relation to the relevant provisions of the new Commercial Code. Since the provisions of the Commercial Code provide a relatively strong legal position for contract agents, it is doubtful that the Egyptian legislature intended to exclude the vast majority of commercial agents from this protection. This view is
supported by the fact that there are no other substantive provisions regulating commercial agency.

From the relatively scarce legal writing published on the new Commercial Code in Egypt, it cannot be concluded that the rules concerning the contract agent are also applicable to other forms of commercial agency. This position was, however, applied in the Executive Regulations of the Commercial Agency Law, which stipulate a claim for compensation for commercial agents, without distinguishing between the various commercial agents. Although there are currently pending in front of the Egyptian Constitutional Court various categories of complaint in relation to the Executive Regulations, a decision cannot be expected in the near future.

iii. Broker

According to Article 192 of the Commercial Code, brokerage is a contract under which the broker (simsar), undertakes to his client, to look for a second party to conclude a specific contract and to mediate in the negotiation and conclusion of the contract. The broker will not be entitled to a commission unless his mediation leads to the conclusion of the contract (Article 194 of the Commercial Code). The broker may work for one or both parties of the contract.

b. Definitions of the Commercial Agency Law

As already established, the Egyptian law provides several definitions of the term commercial agent (al-wakil at-tigari). The Commercial Agency provides in its Article 1 (1) a wide definition,
which mainly deals with the question of who has to be registered in the Register of Commercial Agents:

“Every natural or juristic person, who without being bound by a contract of employment or a service hire agreement, submits on a regular basis tenders or concludes contracts of sale, purchase, or lease, or provides services in the name and for the account of producers, traders or distributors or in his name and for the account of one of the above.”

The Commercial Agency Law also defines the commercial intermediary (al wasit) in Article 1 (2) as:

“Any person whose activity is confined, even if it is for a single transaction, to identifying a contractual partner, or to negotiating with such person, in order to convince him to enter into contract. In addition to being any other person who carries on a commercial agency activity, even if not on a regular basis, or for a single transaction only, or a person who is connected with the producer, merchant or distributor by an employment contract.”

c. Definitions of the Civil Code

The Civil Code is the second source of Egyptian agency law after the commercial laws concerning all commercial matters, including commercial agency. Articles 699-717 of the Civil Code contain the general rules relating to representation (al-wakala), which are also applicable to the commercial agency, if there are no special provisions in the above-mentioned commercial laws.
3. Registration of Commercial Agents

Commercial Agents must be registered with the General Authority for Import and Export Control (GOEIC) in the Commercial Agencies Registry. The registration requirement extends to all agents as defined in the Commercial Agency Law.

For registration, the commercial agency agreement must be presented and various explanatory notes regarding nature and scope of the activities of the commercial agents must be submitted. Essential are the details of the specific product range, the contract territory, and the precise content of the agreement concluded, type and amount of remuneration as well as the currency, in which the remuneration is to be paid. A foreign principal must further agree to notify the competent Egyptian Consulate in writing of any change in the contractual relationship. An agency agreement must be, moreover, authenticated by the relevant Chamber of Commerce and by the local Egyptian Consulate. Sub-agencies are ordinarily permitted, but do not relieve the agent of responsibility for compliance by the sub-agents with the applicable laws.

As to further requirements for the registration of a commercial agent in the Commercial Agencies Registry, a distinction must be drawn between individuals and juristic persons.

a. Individuals

According to Article 3 (1) of the Commercial Agency Law, a commercial agent who is a natural person can only be registered
in the Commercial Agencies Registry, if he fulfils the following conditions:

- he must be of Egyptian Nationality. If a naturalized Egyptian, a period of at least 10 years should have elapsed since his naturalization;

- he must have full legal capacity;

- he must have a good reputation and should not have been previously convicted of a felony or a crime the penalty for which was incarceration, or any of the crimes referred to in the Commercial Agency Law or the laws on Import and Export, Exchange Control, Customs, Taxation, Controlled Supplies, Companies or Commerce unless subsequently proven innocent;

- he must not have been declared bankrupt, if he has, then he must have been acquitted;

- he must not be, or have been, a government, public-sector, public authority, local-government or public entity employee, unless two years have elapsed since ending his service;

- he may not be a member of the People's Assembly, the Shura Council, the Local People’s Assemblies or a politician, unless he was pursuing the commercial agency business, before taking up such post or engagement;

- he may not be a first degree relative of a person holding political office, or a first degree relative of one of the parties mentioned in the previous clause; and
• he may not be a first degree relative, of a government official whose rank is Director General (or its equivalent) or a higher level, or a first degree relative of an employee who has a seat on the purchase, sale or decision committees of the government, public sector, public authority, local government or of any public entity.

b. Juristic Persons

Pursuant to Article 3 (2) of the Commercial Agency Law, a commercial agent who is a juristic person must fulfil the following conditions to be registered in the Commercial Agencies Registry, in relation to which corporate entities and partnerships are equated:

• its head office must be in Egypt;

• its corporate objectives must include commercial agency or intermediary activities, such being in accordance with its Articles of Incorporation and Statutes;

• its capital must be wholly owned by Egyptian nationals (taking into consideration the lapse of 10 years in the case of naturalized Egyptians as previously stated);

• in the case of a legal entity, a partner, or a shareholder in the company must be an Egyptian juristic person, the majority of its capital must be held by Egyptians or naturalized Egyptians after the lapse of 10 years as of the date of their acquiring the Egyptian nationality; and
• the capital of the company must not be less than L.E. 20,000, if the company is an unlimited partnership or limited partnership, if the company is a limited liability company the capital may not be less than LE 50,000 and in case of a joint stock company not less than LE 250,000.

Partners and managers with personal liability must satisfy the same requirements as individuals wishing to be registered. Accordingly, companies with one or more foreign shareholders may not be registered in the Register of Commercial Agencies. This applies to companies managed by one or more non-Egyptians.

c. Commercial Agency for the Import of Goods

Registration of a commercial agency that will carry on the business of importation involves additional legal requirements, the most important of which are:

• Applicants must have been registered in the Commercial Registry for at least a year; and
• All shares of applicants must be owned by Egyptians, and all managers and board members must be Egyptian nationals.

d. Form S-14

The General Authority for Import and Export Control issues a special form for the registration of agents, which is called form No. S-14. Such form must be presented to the tax authorities and to the procuring authority in case of public tenders.
e. Minimum Content of an Agency Agreement

Under the Commercial Agency Law, an agency agreement must provide for the following, in order that it may be registered by the General Authority for Import and Export Control:

- Name and address of the agent and the principal;
- the products subject to the agency;
- the obligations of the parties; and
- the percentage of agreed commission, the conditions on which payment is contingent, and the currency in which it is payable.

In case a foreign entity is involved, in addition to the above mentioned requirements, the agreement must be authenticated by the competent Chamber of Commerce (or the official substitute thereof) and it must also be duly legalized by the competent Egyptian consulate abroad. Any amendments, additions, or modifications to the agency agreement must be duly notified to both the Register of Commercial Agencies and the Egyptian consulate abroad, which legalized the agreement.
f. De-registration

In the case of termination of a binational agency agreement, the foreign principal must notify the competent registry and the Egyptian Consulate in his home country of the termination. Previously, no special proof of termination was required. Pursuant to Article 15bis of the Decree No. 362/2005, which amends the Executive Regulations of the Commercial Agency Law, the principal is, however, now required to provide evidence that all possible claims of compensation due whether to the principal or the former agent rising from the agency agreement have been settled, in order to de-register the agent.

Furthermore, it was possible until recently to register a new agency agreement, before and without de-registering the old agreement. In particular this was valid if it was not an exclusive agency agreement. Moreover, Egyptian courts normally did not use injunctive power to stop agency activities in the absence of registration, or to prevent de-registration of an old agreement.

This legal situation has changed through Decree No. 362/2005. A registered agent, whose contract was terminated by the principal, is now in the position to prevent the registration of a new commercial agent, until the principal has settled all possible claims for compensation. Pursuant to the Executive Regulations, the GOEIC may not register a new agency agreement, as long no evidence was provided the old commercial agent was duly compensated or a period of sixty days has elapsed without the old commercial agent lodging a claim for compensation. In practice, this led in the case of the commercial agency of KIA to the situation that the registration of a new agent was interdicted and
even that the import of goods was prohibited. Nevertheless, this incident was probably an isolated case.

It remains to be seen, how the introduction of Article 15bis of the Executive Regulations of the Commercial Agency Law will affect the practice. In any case, it will be difficult for an unregistered commercial agent to obtain Form S-14, which is required to participate in public tenders. However, this requirement is changing, since many public authorities no longer insist on the submission of Form S-14.

g. Failure to Comply with Registration Requirements

Failure to comply with registration requirements or effecting registration on basis of false information (during registration or renewal) exposes only the agent – not the principal – to criminal liability and could lead to cancellation of the registration. The penalties prescribed by the law for non-compliance range from imprisonment for a period of not less than six months or fines ranging between LE 500 and LE 10,000 or both imprisonment and fines. If a legal entity does not comply with the registration requirements, the directors or the shareholders of the company are subject to the penalties stipulated by law. In practice, however, no cases are known in the recent years, in which these penalties have actually been enforced.

According to several judgments and arbitral awards omission of registration has no legal impact on the civil law validity of an agency agreement. This led to the practice that many agency agreements are not registered, despite the harsh penalties prescribed by the law. In this respect, the legal situation in Egypt, differs from some other Arab countries where non-registration
renders an agency agreement null and void, or prevents the parties from bringing claims related to non-registered agency agreements before a local court.

4. The Legal Status of Commercial Agents

The recent amendments to the Executive Regulations of the Commercial Agency Law have significantly strengthened the legal position of commercial agents in Egypt, which now resembles the relatively strong position of commercial agents in the Gulf region. Egyptian law now provides for rights to compensation and empowers commercial agents to prevent registration of their replacements until their compensation claims have been satisfied.

a. Commissions

According to Article 150 of the Commercial Code, commissions payable to commercial agents are due upon the conclusion of a contract by an agent with a customer on behalf of the principal. In practice, the payment of an agent’s commission is often made conditional upon receipt of the customer’s payment by the principal. However, such provisions must be expressly recorded in the commercial agency agreement. The commission is also due if the contract was not concluded for a reason for which the principal was responsible. In some other cases, an agent may not have a right to commission, but for compensation instead.

If a commercial agency is confined to only one agent in one specific area (exclusive agent), then such an agent is entitled to a commission for any transaction concluded in that area, regardless of whether such transaction was concluded through the
efforts of the agent, or not. This is the general rule which is applicable unless otherwise expressly agreed between the parties.

The amount of the commission is a question to be decided by the parties. Although the practice is of doubtful legality, the true commission is, in practice, often agreed in a side letter, to which the authorities have no access. Payment may be effected in any currency.

In contrast to the legal position described above, an agent is entitled to commission, which will be calculated as a percentage of the selling price to the customer, unless otherwise expressly agreed by the parties (Article 183 and 184 of the Commercial Code).

b. Compensation

Prior to the enactment of the new Commercial Code, Egyptian law did not provide commercial agents with any legal right to compensation for termination of the agency agreement. There were, however, certain circumstances in which commercial agents were allowed to invoke general legal principles in order to claim damages; as, for example, when an agent’s rights were abused or a fixed term contract was terminated before expiration of its term, without just cause.

Article 163 of the Commercial Code now provides expressly for rights of compensation for contract agents. The contract agent has a right of compensation in the event of non-renewal of fixed-term contracts or the termination of contracts for indefinite terms, in the absence of breach on the part of the agent.
The Egyptian law stipulates no limit on the amount of compensation.

The recent Amendments to the Executive Regulations of the Commercial Agency Law contain a similar and comprehensive right of compensation for agents. It is important to note in this respect that agency agreements for an indefinite term may be terminated by either party at any time. However, compensation is due in cases of termination without prior notice, or for good cause. Furthermore, the Amendments provide for identical rights to compensation for commercial agents whose fixed-term contracts are not renewed, in the absence of a just cause.

**c. Exclusivity**

Principals are free to appoint several agents for the same product or in the same territory. This must, however, be expressly agreed between the parties, since the law presumes that certain types of commercial agents have exclusivity in their territory (Article 179 of the Commercial Code). Commercial agents appointed as exclusive agents are entitled to commissions on all contracts concluded in the contract territory, irrespective of whether they actually brokered any given transaction.

**d. Information**

Article 185 of the Commercial Code provides that the principal shall provide the agent with all data and information, necessary for the due performance of his duties under the agency agreement. This includes specifications of products, drawings,
forms and trademarks in addition to any other information, that will be beneficial to the agent in the sale and marketing of the products. According to Article 186 of the Commercial Code, the agent shall have the right to take all protective measures (including injunctive measures) for the protection of the principal’s rights.

**e. Other Specific Legal Provisions**

The new Commercial Code defines certain specific duties or powers, conferred on the contract agent, such as not to disclose any confidential information, during or after the termination or elapse of the contract. Other duties, such as to refrain from competing with the principal and sales targets, which have to be achieved by the agent, should be specifically set forth in the agency agreement.

Unless his powers are restricted by the contract, the contract agent is deemed to be authorized by the principal, to represent it with the widest powers. The restrictions imposed on the power of an agent may not be invoked against third parties, unless it is established that the third party was aware of that at the time signing the contract. The agent is, however, obliged to show a third party any documents evidencing his power. The principal is only responsible for actions taken or obligations incurred by the agent within the scope and limits set forth in the agreement.

The contract agent bears all expenses that he incurs in connection with his duties as agent. If a definition of the contract agent is adopted which includes only one agent, who has the right to act in the name of the principal, this would imply that all the other agents may be entitled to reimbursement of their expenses incurred in connection with their activities as agents.
5. Commercial Agency Agreements

Commercial agency agreements must be in writing. It also is recommended that they contain express terms as to when a commission accrues and becomes payable, the agreement’s duration and termination provisions, minimum targets, exclusivity (or non-exclusivity) clauses, and compensation rights upon termination. In case an agreement is not concluded in Arabic, an Arabic translation must be provided for the registration with the General Authority for Import and Export Control.

a. Territory

The territory must be carefully defined and may cover the whole of Egypt or any part thereof. If an agency is granted for a specific territory, Article 184 of the Commercial Code provides that the contract agent shall be entitled to his commission, for all transactions which are concluded in the specific area (even without any efforts on the part of the agent), unless otherwise agreed upon expressly by the parties. Agencies for more than one country should be carefully considered, as the Egyptian agent might be prevented from effectively representing the foreign principal, outside the territory of Egypt, both as a result of local laws, and as a result of lack of an effective marketing organization outside Egypt.
b. Term

As a general rule, the duration of an agency agreement is subject to the agreement of the parties and according to Article 163 of the Commercial Code, either party of a commercial agency agreement may terminate the contract at any time. However, there are several exceptions to these provisions.

The duration of a contract agency agreement must be a minimum of five years if the contract agent is obliged to build showrooms or stores or repair or maintenance facilities (Article 181 Commercial Code). The Commercial Code also contains a specific provision for the termination of a definite term contract with a contract agent.

If an agency agreement involves elements of technology transfer, specific provisions of the Commercial Code, regarding the duration of technology transfer agreements must be observed, which provide for the right of termination or reconsideration after a period of five years.

c. Del Credere

A commercial agent may assume liability for any obligations resulting from a transaction arranged or concluded by the agent on behalf of the principal. Such a del credere agreement must be in writing. In case of doubt, the assumption of liability may only cover the solvency of the third party, but not other circumstances that might prevent a third party from fulfilling its contractual obligations. A del credere clause is ordinarily only
applicable if the agent personally contributed to the arrangement or the conclusion of a transaction.

d. Choice of Law Clauses

Pursuant to the Egyptian Civil Code, the parties of a contract may freely agree on a foreign law to govern their agreement, this must be expressly stated in the contract (Article 19 of the Civil Code). Some provisions of Egyptian law are, however, mandatory and may not be waived by the parties.

It remains to be seen whether Egyptian courts will treat the amendments of the Executive Regulations of the Commercial Agency Law as mandatory. They remain controversial and it seems likely that the provisions on compensation and termination of agency agreements and choice of law will be treated as matters of public policy, and therefore mandatory, since they are extensions of mandatory provisions of the Commercial Code. This means that there is no way of contracting out by choosing a foreign law which would permit, for example, the exclusion of compensation claims.

If the parties do not agree on a particular law as governing the contract, it will be governed by the law of the state with which it has the closest connection. In contracts with Egyptian commercial agents, this will usually be Egyptian law.
e. Jurisdiction and Arbitration Clauses

Arbitration Clauses are widely used in international business agreements. This is for a number of reasons. First, the parties to arbitration proceedings have generally a greater influence on the procedure. Furthermore, arbitration tribunals which are appropriately composed are ordinarily better prepared to decide complex international cases. Finally, it is easier to enforce a foreign arbitration award than a foreign court award. The last point may, however, be a disadvantage for a principal, who is facing the possible risk of a claim of compensation under Egyptian law. Accordingly, it is essential to review such strategic considerations in order to decide whether to agree on arbitration or on the Egyptian courts as the tribunal for the resolution of disputes in a agency agreement.

The Commercial Code grants Egyptian courts exclusive jurisdiction over disputes involving contract agents (Article 191 of the Commercial Code). Accordingly, the court, within the circuit in which the contract agent agreement is implemented, is competent. In such cases, it is doubtful whether the Egyptian courts would enforce agreements to submit these disputes to arbitration, whether in Egypt or abroad. However, the wording of this provision does not expressly preclude arbitration agreements.

6. Termination of an Agency Agreement

The term of the agency agreement is often fixed, so that termination can take place upon the mere expiration of the term. Renewal, however, may be automatic if neither party has specifically terminated the agreement upon the expiry of its term, and the parties have continued to perform after the expiry of the
agreement. Successive renewals would not be deemed to render the agreement indefinite. Careful documentation regarding renewals and termination is, however, recommended.

a. Termination with Cause

The principal may terminate the agreement for good cause, such as the bankruptcy or insolvency of the agent or the material breach of the agreement by the agent. It is essential that the causes of termination are specified in the agreement. Additionally, it is advisable that the parties declare in the agreement that its termination may be implemented without a judicial proceeding or any other formal requirements. It should, however, be noted that the Egyptian Civil Code, requires contracting parties to act in good faith and without abuse of rights. This provisions are occasionally applied very widely by Egyptian Courts and in favour of Egyptian agents.

b. Termination for Convenience

Termination without specific cause can take place if provided for in the agreement. According to the old law, in certain cases compensation had to be paid to agents, based on the above mentioned principle of good faith and abuse of rights. Some legal writers and courts even claimed that termination would not be possible, based on the French law doctrine on the mandat d’intérêt commun.

In accordance with the provisions of the Civil Code, and Article 163 of the New Commercial Code, provide for the general rule, that either party may terminate an agency agreement at any
time. No compensation is payable, provided that the termination occurs with a suitable notice period, and not at an unsuitable time. In the event that the contract is for a definite period, it may only be terminated for good cause, termination must be for a serious and justified reason, otherwise the principal has to pay compensation.

However, according to Article 188 of the Commercial Code a contract agent be entitled to compensation if an indefinite term agreement is terminated by the principal where there is no fault on the part of the contract agent, and if his efforts had resulted in a considerable success in the marketing of the product, or an increase in custom. In such cases, the principal is liable for damage sustained by the agent, as result of such termination, the amount of compensation being in the discretion of the competent court. In practice, an Egyptian court will ordinarily consider the average yearly profit of an agent to determine the applicable amount of compensation. Any agreement contrary to Article 188 of the Commercial Code, is void.

Through the issuance of Ministerial Decree No. 362/2005 of 12 April 2005, amending the Executive Regulations of the Commercial Agency Law, the legal situation of registered agents, who are not contract agents in the meaning of the Commercial Code, has changed. The decree introduced, inter alia, Article 13bis, whose No. 2 and No. 3 adopted almost similar wording to Articles 188 and 189 of the Commercial Code without differentiating between the various kinds of commercial agents. Egyptian legal literature has raised, however, substantial constitutional concerns as to whether Executive Regulations with a content that goes beyond a pure consolidation of the existing law can validly be issued.
Although Article 13bis No. 2 expressly provides for the right of the principal for compensation in the event that the agent terminates an indefinite term agreement at an unsuitable time and without good legal cause, the new legal position of a foreign principal is not as favorable as previously, since the Principal is obliged, even in the case of a fixed term agency agreement which he does not want to renew, to provide good cause for its termination if he is to avoid payment of compensation.

c. Notices

The notice prior to the termination of an agreement should be for a reasonable period. In deciding what is reasonable, the duration of the agency agreement must be borne in mind. Egyptian courts have held that a reasonable notice period, is somewhere between three and six months but may be longer, if the circumstances of the case so require.

d. Non-Renewal of an Agency Agreement

If the agreement contains a clause to the effect that it will terminate upon the expiry of its term, and the Principal does not offer the agent a renewal of the agreement, the contract agent will be entitled to compensation to be determined by the Egyptian courts. This applies, in the case of a Contract Agent, even if there is an agreement to the contrary (Article 189 of the Commercial Code). However, such compensation is conditional upon the requirements that the agent was not negligent or acted incorrectly in the performance of the contract and that the activities of the agent had resulted in evident success, in the marketing of the
products, or the increase in the number of clients (Article 189(2) of the Commercial Code). For all other types of agents, no specific rules for compensation are contained in the Commercial Code. Nevertheless, as explained above in regard of the termination for convenience, Article 13bis No. 3 of Ministerial Decree 362/2005 extends the right for compensation to all kinds of commercial agents.

e. Waiver of Rights

In principle, waivers by an agent or distributor of any statutory right to indemnification in the agreement are valid and enforceable. However, Articles 188 and 189 of the Commercial Code expressly provide that any provision excluding the right of a contract agent to compensation, in the case of non-renewal or termination (other than for reasons of fault and negligence on the part of the agent) of an agency, shall be deemed invalid. The same should be applicable for comparable claims pursuant the Executive Regulations of the Commercial Agency Law.

7. Old Agreements

According to Article 187 of the Egyptian constitution states that “new laws have no retroactive effect on any contracts concluded prior to the date of the issuance of the new law”. Consequently, agency agreements concluded before October 1999 are not subject to the new commercial agency regulations. However, when a matter is related to public interest or order, the general rule against retrospective legislation will not apply. Accordingly, when the law imposes specific mandatory provisions, these may not be excluded by agreement between the
parties, it overrides in this way contracts previously concluded, which may be in violation of the public interest or order, as stipulated by the new law. It may therefore be the case that some of the compulsory provisions of the new Commercial Code, especially those related to the compensation of the contract agent or the exclusivity of jurisdiction, may also apply to agency agreements entered into before the Code came into effect. It remains to be seen how the Egyptian courts will decide this crucial question.

8. Distributors

Neither the Commercial Agency Law, nor the Executive Regulations directly address the legal treatment of distributors, i.e. dealers who purchase and resell in their own name and for their own account. However, according to legal commentators, the Commercial Agency Law does not apply to distributors. Legal relationships with distributors, therefore, are governed by general legal principles and are not subject to any specific provisions or regulations. Nonetheless, it remains to be seen whether Egyptian courts will apply to distributors by analogy, the compensation and termination provisions of the Commercial Code, and the Executive Regulations, applicable to agency agreements, to distributors, as it has happened under French law and, in many instances, under German law.

In the past, the GOEIC has indicated repeatedly that the obligation to register also applies to distributors. Pursuant to the opinion of the GOEIC this has, however, only been applicable to distributors of medical products. The GOEIC has, however, changed this position recently (thereby contradicting the express wording of the law) and only now requires the registration of commercial agency agreements.
9. Franchise Agreements

For a long time, the Egyptian law did not contain any specific provision regulating franchise agreements. Thus, only general legal principles were applicable. Although franchise agreements are still not specially codified, some provisions concerning franchise agreements are promulgated by the new Commercial Code. The Commercial Code contains such a wide definition of technology transfer agreements that most franchise agreements will also be subject to the provisions regulating such agreements (See Section VII., Technology Transfer).

VII. Law RELATING TO COMPANIES

As in many other civil law jurisdictions, Egyptian law recognises companies in which a shareholder’s liability is limited to the value of the shares held (e.g., limited liability companies, joint stock companies, partnerships limited by shares). These companies are often referred to as ‘capital companies’ or “corporations”, since the liability of the shareholders and partners is limited to the capital they invested in the company. The Companies Law, issued as Law 159 of 1981, as amended (“Companies Law”), regulates such capital companies.

Egyptian law also recognizes partnerships, both general and limited. Partnerships are governed by the Civil Code and the Egyptian Commercial Code. Matters not specifically regulated under the Companies Law or the Commercial Code are often interpreted according to Civil Code principles. Therefore, the Civil
Code is often referred to as the ‘gap filler’ for specialised legislation.

Certain legal provisions apply to all companies, regardless of legal form. For example, the Investment Law, promulgated by Law No. 8 of 1997, deals with specific forms of business activities and grants companies engaging in those activities incentives and guarantees, regardless of their legal form. Also the Capital Market Law, promulgated by Law No. 95/1992, contains specific provisions concerning transfers of shares, increases of capital, and the issue of securities and debentures that apply to both joint stock companies and partnerships limited by shares.

1. Representation Offices

Instead of establishing branch offices, foreign entities may open representative offices or liaison offices for the territory of Egypt or the wider region. Most of the principal regulations concerning the establishment and operation of representative offices are dealt with in the Egyptian Companies Law, its Executive Regulations, and the Commercial Agency Law.

a. Limited Area of Activity

Representative offices are only entitled to engage in “preparatory work.” Permissible activities include, for instance, market surveys, market observation, the coordination of the activities of companies in the region, and other activities that do not lead directly or indirectly to the conclusion of business transactions.
b. Establishing Representation Offices

Representative offices must be registered with the General Authority for Free Zones and Investment ("GAFI"). Special rules apply to the so-called “scientific offices” of pharmaceutical companies, which also must be registered with the Ministries of Health and Foreign Trade.

In order to register a representative office, an application must be completed and submitted to GAFI. In addition, the following documents must be submitted as attachments to the application: (i) an extract from the trade register; (ii) the memorandum and Articles of Association (or statutes or by-laws) of the foreign company; and (iii) the corporate resolution to establish a representation office. All documents must be certified copies and legalized by the nearest Egyptian consulate/embassy, and accompanied by a certified Arabic translation. In addition, a person domiciled in Egypt must be named who is empowered to perform certain acts on behalf of the corporation, such as accepting lawsuits and other legal documents.

Representative offices do not pay taxes because they do not carry out any profitable commercial activities. Nevertheless, taxes on employees' salaries and stamp duty taxes are applicable.

2. Branch Offices

Establishing a branch office in Egypt may be a lengthy process for foreign companies and is only possible in certain restricted circumstances; for instance to perform a specific contract. The establishment of a branch office must be in accordance with the Companies Law and its Executive Regulations. Government authorities also verify every five years
whether the circumstances justifying the establishment of the branch office still exist.

**a. Registration**

To establish a branch office in Egypt, it must be registered in the Commercial Register and with GAFI. To register a branch office, an application must be completed and submitted to GAFI. The following documents also must be submitted as attachments to the application: (i) the memorandum and Articles of Association (or statutes or by-laws); (ii) an extract from the Commercial Register of the foreign company (or the equivalent); and (iii) the shareholders' or management's resolution to establish the branch office and to appoint a manager for the office. The approval of the Minister of Foreign Trade must be obtained prior to registration and it may be necessary to obtain the approval of the Minister responsible for the type of activities to be carried out by the branch office.

**b. Taxes, Bookkeeping**

Branch offices pay Egyptian income tax at a rate of 20% of their profits. They are required to appoint an Egyptian certified auditor to comply with the Egyptian Laws and to forward the financial statements of the branch annually to GAFI. Branch offices are required to distribute at least 10 percent of the distributable profits of the branch to their employees, subject to a maximum equal to the total wages paid during the financial year in question.
3. Limited Liability Companies

Limited liability companies are popular among foreign investors in Egypt, because they are relatively simple to establish and administer, and each partner’s liability is limited to the amount of that partner’s capital contribution (each partner is not personally liable for corporate indebtedness). More recently, however, investors increasingly prefer to establish joint stock companies, since it is now possible for the Boards of Directors of such companies to be under foreign control, despite the fact that such joint stock companies are subject to more detailed corporate governance regulations.

a. Statutes

The internal regulation of Egyptian limited liability companies must comply with model statutes issued by Ministerial Decree of the Minister of Investment Affairs. In theory, changes to the model statutes can be made, provided the mandatory provisions of the Egyptian Companies’ Law are observed. However, in practice, and in order to avoid problems with registration, the model statutes are generally used without significant changes.

b. Partners’ Agreement

Important covenants applicable between partners, which are not contained in the model statutes, such as agreements relating to transfers of quotas (e.g. pre-emptive rights, put or call options), side letters, funding, and the exercise of voting rights, are usually contained in partners’ agreements or equity joint venture agreements. Such agreements are permissible under Egyptian Law and supplement the statutes. However, their provisions may be
unenforceable to the extent they conflict with mandatory provisions of the Egyptian Companies’ Law.

c. Minimum Capital; Partners; Name

Previously, Egyptian law required that the minimum capital of limited liability companies be set at LE 50,000. This minimum capital requirement had been reduced to LE 1000 by virtue of Decree No. 2 of 2007 issued by the Minister of Investment. Further, by virtue of Decree No. 11 of 2008 the minimum capital for limited liability companies in Egypt has now been set at LE 200 to be fully paid upon establishment of the company. The minimum par value of the company’s shares is set at LE 100. Further, Decree No. 11 of 2008 fully amended Articles 67 and 271 of the Executive Regulations of the Companies’ Law No. 159 of 1981.

Limited liability companies must have at least two, but not more than fifty, shareholders, who may be legal entities or individuals.

Limited liability companies may not issue negotiable shares or bonds. The register of shareholders must be set out in the statutes and, where applicable, the transfer of these shares is subject to the preemptive rights of the shareholders, in accordance with the rules set out in its Articles of Association.

There is no restriction on foreign participation in limited liability companies.

The names of limited liability companies may refer to their corporate activity and/or the name of the shareholders. The Commercial Registration Number and the address of the head
office must appear in all correspondence, which also must state that the company is a limited liability company.

d. Management

Limited liability companies may have one or more managers, at least one of whom must be an Egyptian national. If there is more than one manager, they may be authorized to represent the company either individually or collectively. The representation may include all transactions and business relating to the company’s corporate activity. According to the model statutes, specific transactions may be, however, subject to the prior approval of the shareholders. Usually, such restrictions are determined at the first shareholders’ meeting and must be recorded in the Commercial Register of the company in order to be valid with regard to third parties.

e. Fiscal Year

The fiscal year of a limited liability company may not exceed twelve calendar months, with the exception that the first fiscal year which may be extended to the end of the fiscal year following registration. The shareholders are free to choose the fiscal year, which may correspond to the financial year of a parent company. Annual audited financial statements must be submitted to GAFI within two months after the end of each fiscal year.

f. Employee Participation in Profits

Companies having a capital of LE 250,000 or more are required to allow employees to participate in profits. Employees
are entitled to receive 10 percent of the distributable net profits of the company subject to a maximum equal to the total wages paid in the relevant financial year. There is no requirement for equal distribution to all employees.

g. Supervisory Board

Limited liability companies having more than 10 shareholders must appoint a supervisory board whose role is to supervise the management of the company. The model statutes contain provisions relating to supervisory boards.

h. Transfer of Shares

Shares may only be transferred by a formal, notarised agreement between the shareholders, unless the company’s statutes provide otherwise. Unless otherwise agreed, they must be offered first to the other shareholders, in the proportion of their participation in the capital of the company, before they may be transferred to third parties. However, the statutes may modify the partners’ pre-emptive rights to some extent and may contain additional provisions.

In addition, a meeting of the shareholders must take place to approve the sale of shares to third parties and an amendment of the Articles of Association is required. Typically, these resolutions also record that the shares were duly offered to all other partners.
4. Joint Stock Companies

Generally, the rules applicable to the formation of Egyptian joint stock companies are more detailed than those applicable to limited liability companies. However, they are not as strict as those found in some continental European countries and, as a result, the costs associated with creating an Egyptian joint stock company are not significantly higher than those associated with forming Egyptian limited liability companies.

a. Statutes

The statutes of joint stock companies also are expected to comply with the model issued by Ministerial Decree. Although the legislature has given founders more freedom to amend the model since 1998, it is recommended, nevertheless, that the model be used without any major changes in order to avoid difficulties in registration. The shareholders of joint stock companies frequently enter into shareholders’ agreements that supplement the company’s statutes.

b. Minimum Capital and Shareholders

Joint stock companies are required to have a minimum issued capital of LE 250,000, or LE 1,000,000 in the case of companies offering shares for public subscription pursuant to Article 41 of the Executive Regulation of the Capital Market Law, promulgated by Law No. 95 of 1992. The issued capital must be fully subscribed upon the formation of the company. In the case of cash contributions, every shareholder is obliged to pay in at least 10% of the amount of that shareholder’s participation in the
capital. A further 15% is required to be paid in within 3 months after the company’s registration, and the remainder must be paid in within five years from the date of registration.

Payments must be deposited in a frozen account with a bank licensed by the Central Bank of Egypt.

Contributions in kind must be made in one transaction for the entire amount of the contribution. Such contributions are usually required to be valued by a committee appointed by GAFI and the valuation must be confirmed at the first shareholders’ meeting by a majority of the shareholders holding at least two thirds of the capital. Shareholders making contributions in kind have no voting rights on matters concerning the valuation.

Pursuant to Article 48 of the Companies’ Law, joint stock companies may hold a portion of their own shares for a maximum of one year. In addition to the issued capital, an authorized capital amount may be fixed in an amount no more than ten times the amount of issued capital. The Board of Directors may issue new shares up to the amount of the authorized capital without having to obtain a formal resolution of the shareholders, provided that the shares previously issued are fully paid and that an extraordinary shareholders’ meeting has previously authorized the Board to do so. The authorized capital can be increased in cases where the issued shares are not fully paid, with the approval of an extraordinary shareholders’ meeting.

c. Shares

In principle, all shares confer equal rights on their owners. However, joint stock companies may issue registered shares,
bearer shares, and preferred shares. Registered shares are issued in the name of the shareholder concerned. Bearer shares must be fully paid on issue, do not carry voting rights, and may not constitute more than twenty-five percent of the issued capital. Preferred shares carry preferential rights with respect to voting, profit distribution, or liquidation. Pursuant to the latest amendments of the Capital Markets Law, the nominal value of any share may not be less than 10 piaster (LE 0,10) and may not exceed LE 1,000.

d. Non-Egyptian Ownership; Name

Joint stock companies may be wholly owned by non-Egyptians.

The names of joint stock companies must be indicative of their activity and may not contain the name of any of the shareholders. All official papers of a company, such as its stationery, contracts, invoices, and other documents issued to third parties must indicate its name, the type of company it is, its registered address, and its issued capital. Non-compliance with this obligation may expose persons acting in the name of the company to personal liability.

e. Management

Egyptian joint stock companies are managed by a Board of Directors comprised of at least three members, who are required to elect a chairperson. Until the beginning of 1998, the majority of the members of a Board of Directors were required to be Egyptian citizens. However, Law No 3/1998, amending the Companies Law No.159/1981 abolished this requirement. Egyptian law does not require joint stock companies to have supervisory boards.
The day-to-day business of joint stock companies is usually undertaken by a designated member of the Board of Directors (the “Managing Director”) or by an employee vested with the power to represent the company (a “General Manager”). In many cases, the Chairman of the Board is also the Managing Director. General Managers are not board members, but may be permitted to attend Board meetings on their request. One Board member may appoint another Board member to act on his or her behalf; however, no Board member may represent more than one other Board member.

To be valid, Board meetings must have at least three directors present or represented. Minutes of board meetings must be entered regularly after each meeting in a special, officially stamped, register and must be signed by the chairperson and the corporate secretary. Members of the Board are no longer required, after the issuance of the Capital Market Law, to hold shares of the company with a nominal value of at least LE 5,000. In addition, the Capital Market Law abolished the requirement of appointing two expert members with special knowledge of particular relevance to the company’s Board of Directors.

f. Employee Participation in Profits

Joint stock companies are required to distribute at least 10 percent of their distributable net profits in any financial year to its employees. However, this amount is limited to the total salaries paid by the company during the relevant fiscal year. It is not a requirement that employees share equally in the distribution of profits.
Employees have the right to participate in the management of joint stock companies. Either they may appoint employee representatives to attend Board meetings or, as is more typical, they may form an “auxiliary administrative committee” to advise the Board.

Pursuant to Article 184 of the Executive Regulations of the Capital Market Law, employees of joint stock companies who also are shareholders are entitled to form an employees’ association, provided the issued share capital is at least LE 1,000,000 and the company has at least 50 employees. The Capital Market Authority must approve the association.

**g. Shareholders’ Meetings**

Egyptian law distinguishes between regular and special shareholders’ meetings. A regular annual shareholders’ meeting must take place at the location specified in the by-laws, no later than three months after the end of the company's fiscal year. Shareholders may exercise their voting rights in person or by proxy. A proxy may, however, only be issued to another shareholder of the company, unless otherwise provided in the company’s by-laws. A simple majority of votes present is usually required for the passage of resolutions at shareholders’ meetings. In important matters, the by-laws may require a two-thirds (66%) majority. In the event of an amendment to the by-laws which increases the company’s capital, changes the name or purpose of the company, or approves a merger or a dissolution, a 75% majority of votes may be required by the by-laws. Resolutions to amend the by-laws often are adopted at special shareholders’ meetings.
h. Transfer of Shares

The Companies’ Law prohibits founders of joint stock companies (i.e. the shareholders who organize the company and sign the Articles of Association) from transferring their shares until two fiscal years after the date of incorporation. Otherwise, shares of joint stock companies are freely transferable. Unlike the shareholders of limited liability companies, shareholders of joint stock companies have pre-emptive rights only if provided for in the company’s by-laws. Shares must be transferred through authorised brokers. Share transfers, even in cases of unlisted companies, are registered at the stock exchange and, usually, in a shareholder ledger maintained by the company.

5. Formation of Joint Stock and Limited Liability Companies

Law No. 3/1998 amending the Companies Law considerably simplified the rules governing the formation of Egyptian joint stock and limited liability companies. The lengthy security clearance procedures, to which non-Egyptians were subject, are no longer a prerequisite for registration. Companies can be established, therefore within one week, provided all the required documents are completed and available in certified, verified, and legalized form (with Arabic translations of all documents). Founders that are legal entities are required to provide legalised extracts of the Commercial Register from their place of incorporation.

GAFI has the authority to oppose the registration of a company within fifteen days from the date the company is registered in the Commercial Register. The reasons for opposing a
registration are specified in Law No. 3/1998 amending the Companies Law.

Further details concerning the formalities of forming joint stock and limited liability companies may be found in the Annex to this Guide.

6. Partnerships

In some cases, it may be advisable to establish a partnership. The following types of partnerships are recognized in Egyptian law:

- **General Partnership** (société en nom collectif), in which each of the partners is jointly and severally liable for the debts of the partnership and has a voice in the management;

- **Limited Partnership** (société en commandite simple), only general partners are jointly and severally liable for the debts of the partnership, while limited partners are liable only to the extent of their capital contribution; and

A partnership is a separate legal entity that has to be registered in the Commercial Register. According to the Commercial Register Law, in order to register a partnership, a majority of the capital must come from Egyptian sources and its management must be exclusively composed of Egyptian nationals.

The establishment of an Egyptian General Partnership requires at least two partners, who may be individuals and/or legal entities. There is no maximum limit on the number of partners and
each partner may represent the partnership individually, unless the partnership agreement expressly provides otherwise. General partners are jointly and individually liable for the obligations of the partnership.

The establishment of an Egyptian Limited Partnership requires one general partner and one limited partner. The limited partner's liability is limited to the amount of capital he contributes to the company's capital.

VIII. mergers and acquisitions

The role of mergers and acquisitions has become increasingly important in Egyptian business transactions during the recent years. In the meantime, foreign acquisitions of Egyptian companies in the various economic sectors have been increasing significantly. Notwithstanding the presence of many international holding companies in Egypt and the increasing importance of local as well as international investment banks, harmonized standards for due diligence, share purchase agreements or escrow agreements have yet to emerge.

1. Legal Framework

Mergers and acquisitions of companies are regulated in Egypt by the provisions of the Companies Law (Law No. 159/1981), the Capital Market Law (Law No. 95/1992) and of the Civil Code. Additionally, the new Law on Competition and Prevention of Monopoly Practices (Law No. 3/2005) includes certain provisions that are applicable in case of an acquisition.
2. Merger of a Limited Liability Company into a Joint-Stock Company under Egyptian Law

According to Article 130 of the Companies Law and Article 288 of its Executive Regulations, it is possible in Egypt to merge a limited liability company into a joint stock company, with the latter being the legal successor of the former in all its rights and obligations. It is, on the other hand, not permissible to merge a joint stock company into a limited liability company, for the surviving company must by law be a joint stock company.

3. Merger Procedures

A merger of two or more entities in Egypt is initiated by an extraordinary general assembly held by both, the acquiring and the company to be absorbed in order to approve the preliminary merger, the preliminary valuation of the net assets and liabilities of the target company and to set a date, which will serve as the basis for the merger. All documents related to the summoning of these extraordinary general assemblies along with the preliminary valuation reports must be submitted to GAFI (General Authority for Free Zones and Investment) for its respective evaluation and approval.

The chairman of GAFI will then assemble a committee to verify the correctness of the valuation of the companies for the purpose of the merger. This committee will then prepare a report of its own to assess the value of the net assets and liabilities of the companies which are then to be submitted to the chairmen for their respective approval. The preparation of said report can take up to two months (and sometimes even longer) depending on the size of the target company.
A second extraordinary general assembly of the acquiring and the absorbed company must be held to resolve the final merger thereof, approve the valuation endorsed by GAFI and approve the draft merger agreement, the minutes of the meetings as well as all other necessary documents, which are eventually, submitted to GAFI for approval.

In a last step, the Minister of Investment will issue a decree approving the merger of the companies, which will be published in the official Investment Gazette. Finally, GAFI notifies the CMA (Egyptian Capital Market Authority) to confirm its approval on the issuance of new shares for the acquiring company valued in accordance with the findings of the final valuation.

4. Letter of Intent

The terms “Letter of Intent” (LOI), “Memorandum of Understanding” (MoU) or “Term Sheet” are often used synonymously in Egypt, as no specific form of such declaration of intent has prevailed in the field of mergers and acquisitions. To determine if a LOI is binding, the specific wording is decisive. The Egyptian case law has affirmed that liabilities may rise from such kind agreement only in exceptional cases - for instance, if the parties did not formally refer to the non-binding character of the agreement and inserted certain explicitly binding provisions in the LOI.

The Purpose of an LOI is to determine and to resolve in advance the essential elements of a complex transaction, such as to declare that the parties are in negotiations and to adopt certain safety measures in case the negotiations should collapse. Furthermore, the parties frequently agree on exclusive
negotiations in a LOI. Since many local negotiating partners like to address critical points at the end of a negotiation, a proper formulated LOI can be of utmost importance.

5. Due Diligence

A due diligence exercise is an exhaustive assessment of the target company prior to the actual transaction. In particular, a due diligence includes a systematic examination of the strengths and weaknesses of the target company. Usually financial statements, personal and in rem assets, the strategic position, products and technology as well as legal and financial risks and possible environmental burdens of the target company are the object of the assessment. In the context of a due diligence exercise the search for so-called “deal breakers” is of special importance, i.e. certain facts that could undermine the commercial justification for the merger or an acquisition, such as uncertainties concerning the title to real estate, inherited liabilities attached to a piece of land or disputed intellectual property rights. If possible risks are identified, these may lead to the breakdown of the negotiations or they can be taken into account in the terms of the transaction.

The basis of a due diligence exercise is ordinarily a Letter of Intent, in which the parties typically agree upon a reasonable time frame for the exercise, access to the necessary documents and information of the target company. The agreed scope of a due diligence exercise normally depends on the commercial and legal history of the target company as well as on the number of shares intended to be purchased.

The implementation of a due diligence exercise in Egypt often encounters many obstacles, since reliable data is much harder to obtain than in many other jurisdictions. Even though the
practice is slowly changing; the establishment of a so-called data-room as a standard procedure has yet to be introduced. In particular, the verification of concessions and approvals that were granted or are supposed to have been granted by Egyptian public authorities is complicated, because the Egyptian approval procedures lack predictability and a definitive assessment often requires the direct contact with the competent authority.

For these reasons, it is imperative to consult experienced local attorneys and financial auditors, who know how to deal with the Egyptian authorities and who are able to ensure proper assessment of the target company. To conduct a due diligence exercise in Egypt to an international standard entails a considerable financial investment as it will, in many instances, require investigations that go beyond the mere inspection of documents disclosed by the other side of the transaction.

6. Acquisition Agreement

Acquisition Agreements in Egypt are not subject to any specific formal requirements. Although Article 118 of the Companies' Law stipulates that share purchase agreements must be notarized, this provision is only applicable if not otherwise required in the target company’s statutes. The majority opinion is that this formal requirement, moreover, only applies to the contract by which the shares are actually being transferred, but not to the contract, that only establishes the obligation to do so. An acquisition agreement which provides for a separate closing mechanism (share transfer by a separate legal act contained in a separate legal document) will thus in practice not be caught by the formal requirements of Article 118 Companies’ Law.
a. Joint-Stock Company

Shares of an Egyptian joint-stock company (irrespective of whether it is publicly traded or not) can only be transferred through one of the brokerage companies licensed at the Cairo and Alexandria Stock Exchanges (Article 15 of the Capital Market Law).

At first, the seller and the purchaser of not publicly traded shares need to submit a comprehensive set of documents and to sign a sale and purchase order for the intended transfer.

As soon as the seller has signed an acknowledgement confirming his receipt of the total purchase price of the shares to be sold, the brokerage company will start the so-called “coding” of the transaction. The coding of the transaction confirms that the seller is entitled to dispose of the shares subject to the agreement and that he is not prohibited from disposing of his shares by virtue of a decision by one of the governmental authorities.

Following this decision, the brokerage company is required to submit the documents required for the transaction (such as extracts from the commercial registry, minutes of shareholder meetings, PoA to the brokerage company etc.). Upon review of the documents, usually within 5-7 days, the Stock Exchange will issue a so-called “Transfer of Title Notice”. The ownership of the shares is transferred to the purchaser only upon issuance of the said transfer of title notices.

If shares are sold at a price below or above their nominal value, the transaction must be reviewed by an evaluation committee at the Stock Exchange, which will examine the transaction to decide on whether the value of the shares provided
for in the sale contract is a fair market value. The report of this committee is usually issued within 20 to 40 days.

The brokerage commission for executing the sale transaction before the Cairo and Alexandria Stock Exchanges (for each party of the transaction) varies between 0.2% and 0.5% of the transaction value, although other percentages are also common. The costs and duties of executing the transaction at the Stock Exchange amount to approximately 0.1% for each party of the transaction and are capped at a maximum of LE 5000.

b. Limited Liability Company

The transfer of shares of a limited liability is considerably easier than the transfer of shares of joint-stock company, since it can be effected by a simple written instrument, unless otherwise required by the company’s statutes.

It is noteworthy, that the wish of a shareholder to transfer or assign his shares to a third party is restricted by the pre-emption rights of the other shareholders (Article 118 of the Companies Law). These pre-emptive rights must be exercised within one month from the date that the other shareholders have been notified of the intended transaction. In the event that one of the other shareholders exercises his right of pre-emption, the shareholder in question may purchase the shares pursuant to the conditions of the share purchase agreement. Once the onemonth period has expired, the shares subject to the agreement can be freely disposed of and are no longer subject to any restrictions.
IX. Capital Market Law

The Capital Market Law, promulgated by Law No. 95/1992 ("Capital Market Law"), governs securities in general, as well as:

- The offering and underwriting of securities;
- Participation in the formation of companies that issue securities, and increases in the capital of such companies;
- Transactions involving venture capital for the takeover of companies in financial difficulty;
- The execution and clearing of transfers of securities;
- The establishment and operation of investment funds;
- Trading in securities;
- Financial consultation regarding the securities;
- The management of investment funds

The Executive Regulations to the Capital Market Law were enacted by Decree No. 135/1993 on April 7, 1993, and have since been amended several times. They provide rules for the capitalisation of various types of companies. The Capital Market Authority ("CMA") regulates companies issuing securities and the establishment of such companies requires the approval of the CMA.
Prospectuses for the issue of securities must be approved by the CMA and they are required to contain at least the following information: (1) the purpose and term of the company; (2) its authorized and issued capital; (3) a description of any priority rights and the terms and conditions for subscribing shares; (4) the names of the founders and the type and amount of their contributions; (5) the company's plans and forecasts for the use of the subscribed capital; and (6) the place of issue of the prospectus.

Companies subject to the Capital Market Law are required to submit business reports to the CMA periodically. Moreover, the CMA has the power to nullify shareholders' resolutions that are unlawful, provided at least five percent of the shareholders of the company so request.

Share transfers may only be effective through a broker who is accredited with, and duly registered with, the CMA, as well as admitted to the Egyptian Stock Exchange. Only profit making companies can be listed on the stock exchange. Listed companies, which do not record a profit for two consecutive years, will be delisted. Trading in listed shares is exempt from taxes.

According to the Capital Market Law, joint stock companies are required to inform every shareholder holding more than 1% of the shares of the company whenever a shareholder increases its stake in the company to more than 10% of the issued shares. Regulation No. 39/1998 also introduced additional restrictions regarding the transactions of traders in securities and new rules to prevent insider dealing. The Egyptian Stock Exchange also has issued detailed listing regulations.

On January 31, 2007, a new ministerial decree was issued as No. 12 of 2007. This Decree regulates the acquisition rules of
listed companies. The Decree came into force on March 4, 2007, and abolished Articles 59, 60, 61 (1), 61 bis (2), 61 bis (3), 61 bis (4), 61 bis (5) and 62 of the Executive Regulations of the Capital Market Law. In addition, Article 17, concerning capital increases and the way in which the shares in such cases are to be evaluated, was amended to allow companies to procure the evaluation from independent auditors and submit them for the approval of the CMA and GAFI as opposed to the old procedures where the CMA and GAFI had to do their own valuation of the shares. Article 22(f), which lists “stock swapping” as a means of increasing the issued capital, was also slightly modified to require companies to include the purpose of the swap for acquisitions or mergers.

On March 11, 2007, the chairperson of the CMA issued Decree No. 11, which came into force on March 12, 2007. The Decree dealt with the rules of corporate governance to be applied to unlisted companies and registered with the CMA. The main elements of the Decree concern the formation and working methods of the Board of Directors, the enforcement of corporate governance best practices, and reporting obligations towards the CMA.

X. COMPETITION LAW

The Law on the Protection of Competition and the Prevention of Monopolistic Practices, Law No. 3/2005 (“Competition Law”) was promulgated in May 2005. This long-awaited measure was designed to eliminate from the Egyptian market trade practices that undermine competitiveness or are considered unfair. The implementing regulations became effective on August 18, 2005 (Decree No. 1316/2005).
The Competition Law applies to all economic activities, in both goods and services, carried out within Egypt, with the exception of public utilities managed by the State. Its scope also covers practices outside Egypt that have a direct effect on the Egyptian market. The key areas regulated by the Competition Law are: (1) agreements concluded between parties with the purpose or effect of harming competition; and (2) any unilateral conduct by dominant enterprises that result in competitive abuse.

Article 6 regulates horizontal agreements entered into between competitors. In particular, such agreements are prohibited if they have as their object:

- Directly or indirectly fixing the prices of products;
- Dividing or partitioning markets on the basis of geographical zones, distribution centers, types of customers, or periods of time; and
- Restricting manufacturing, marketing, or distribution processes.

Article 7 also prohibits agreements entered into between companies and any of their suppliers or customers (vertical agreements) that limit or aim to limit competition.

The Competition Law defines agreements as express or implied agreements. However, the concept of concerted practices, as adopted by the more developed European competition systems, has not been included in the Competition Law.

Article 8 outlaws abusive conduct by persons having dominant positions. “Dominance” is defined as the ability of an
individual or entity controlling a market share in excess of 25% to prevent effective competition in the relevant market and the power to behave independently of competitors. In order to determine whether a dominant position exists, a firm’s or individual’s 25% market share should be accompanied by effective control of such market.

Enterprises with dominant positions are prohibited, in particular, from:

- Imposing bans on manufacturing, production, or distribution for a defined period of time;
- Refraining from concluding contracts with sellers or buyers that limit the co-contractors’ freedom;
- Imposing tie-in arrangements;
- Preventing suppliers from dealing with competitors; and
- Selling products at prices lower than marginal cost or average variable cost.

The Competition Law also allows for conditional exemptions from its provisions in limited cases when the public interest and the interests of the consumers are patently affected, independent of considerations of free competition.

Depending on the nature of the breach, any breach of the Competition Law voids the prohibited sections of the agreement. The party in breach also faces fines of up to LE 300 million EGP for each breach, as well as the confiscation of property and a ban on commercial activities for a period of up to three years. Injured
competitors also have the right to claim compensation before Egyptian courts.

The application and implementation of the Competition Law, and its executive regulations, is monitored by the Authority for the Protection of Competition and the Prevention of Monopolistic Practices that was created under the Competition Law.

**XI. Investment Law**

One of the recent developments in the Egyptian strategy for the promotion of investment is the establishment of the General Authority for Investment and Free zone (GAFI) which works under the supervision of the Ministry of Investment. It represents the most tangible step undertaken by the Egyptian government to streamline investment procedures, turning the Ministry from an obstructive regulatory authority into a more effective investment promotion role under the new chairperson through adopting the 'one stop' policy. GAFI offers a wide range of facilities ranging from company registration to site location and the acquisition of licenses. The 'one stop shop' includes delegates from different government agencies under one roof, specialized and well trained in dealing with investors. As a result, investors do not need to visit other departments in the government when seeking approvals to set up projects. In its most recent trade policy review in 2005, the GAFI role is said to be shifting from an investment regulation institution to that of investment promotion and facilitation. GAFI has been operating as one stop office for investors since January 2005.
Depending on the activities in which they are engaged, companies may qualify to be formed under the provisions of the Egyptian Investment Guarantees and Incentives Law, No. 8/1997 (“Investment Law”). The Investment Law grants qualifying companies that are engaged in preferred industries substantial guarantees and some economic incentives. The Investment Law repealed the old Investment Law No. 230/1989, as amended by Law No. 94/2005. A company established under the Investment Law is also subject to the Capital Market Law.

The Investment Law added new industries to the list qualifying for protection under its provisions (e.g., computer production, some financial transactions, and financial leasing). The type of capital invested is not a factor in determining whether a company is eligible to benefit from the guarantees and incentives provided by the Investment Law, nor in determining whether it complies with the incorporation requirements of Article 4. The Investment Law does not distinguish between foreign and local capital provided for investments.

Previously, foreign investors preferred to establish companies under the Investment Law owing to the advantages that were granted to companies established exclusively under that law. However, after the issuance of Law No. 94 of 2005, companies established under the Investment Law do not any longer enjoy the tax incentives that were usually granted under that law. Nevertheless, they still enjoy a number of guarantees as listed below.

GAFI supervises the incorporation of Investment Law companies and is responsible for projects and companies governed under that Law. It issues all licenses required for projects and approves the company’s by-laws.
1. Advantages

The Investment Law grants substantial advantages to both Egyptian and foreign investors involved in qualifying projects. These advantages include:

- A 5-year exemption from all stamp duties due on the registration of companies, title to real estate, and mortgages (Article 20);

- An exemption from the import and export restrictions requiring companies with foreign participation to use registered Egyptian import and export agents for their purchases of equipment and raw materials and for their exports;

- A reduced rate of customs and import duty on approved requirements of imported machinery and equipment required for projects (Article 23);

- Exemptions from the restrictions applicable to acquisitions of real estate by foreign-controlled entities or individuals (Article 12). Pursuant to Article 1 of the Law No. 94 of 2005, an exception is made to the rule regarding foreign ownership of real estate located in certain areas;

- No Egyptian participation is required in joint stock or limited liability companies, or in partnerships limited by shares established under the Investment Law (Article 14). As an exception to the Companies’ Law, founders of companies established under the Investment Law may transfer their shares within the first two years of the establishment of the company after
obtaining the Prime Minister’s approval or any person delegated by the Prime Minister to give this. In practice, the Minister of Investment, as well as the chairman of GAFI, has this right.

- Exemptions from price controls, except for a limited number of products such as pharmaceuticals (Article 10). Also for companies established in Free Zones, there are some exemptions from Egyptian labour laws. It should be noted that these exemptions may not result in breaches of the Competition Law or anti-dumping rules.

2. Privileged Areas of Business

Article 1 of the Investment Law lists the business activities to which Investment Law privileges apply. Further details may be found in Executive Regulation No. 2108/1997. Early in 2000, Prime Minister’s Decree No. 740/2000 substantially increased the list of qualifying business activities. They now include:

- Industrial projects, including assembly projects, the construction of equipment, factories, assembly lines, and mining;

- Oil and gas exploration, transport, and production activities;

- Utility and infrastructure projects (drinking water, sewage, electricity, road construction, and telecommunications) including the operation of these projects;

- Projects financed by the Fund for Social Development;
• Cultivation of barren and desert land, waste incineration, depots, and recycling;

• Animal, poultry, and fish production;

• Some tourism projects;

• Transport and storage of frozen or refrigerated goods;

• Aviation transportation and directly related services, as well as transport on inland waters;

• Housing projects for private leasing;

• Certain hospitals and medical centres;

• Financial leasing, factoring and forfaiting;

• Underwriting subscriptions to securities and certain credit rating activities;

• Venture capital, restructuring and the operation of technology areas;

• Production of computer hardware and software and the establishment of data bases;

• Collective transport within and between cities and urban communities; and

• Integrated tourism development.
3. Tax Exemptions

The New Tax Law No. 91 of 2005 ("New Tax Law") tax cuts granted to investors under the Investment Law. The objective was to introduce standard tax rates for all areas in the country, whether they were in industrial zones or urban areas. Of the many activities that were previously tax exempt under the Investment Law, only poultry, livestock and fishery projects retain their ten-year tax exemptions. Land reclamation projects also retain their ten-year tax exemptions from the actual start date of the project’s activity.

All other businesses that were incorporated under the Investment Law before the effective date of the New Tax Law (i.e. June 9, 2005), but have not yet commenced their project activities, will retain their Investment Law tax exemptions, provided those businesses commence their business activities no later than three years from the effective date the New Tax Law, i.e., no later than June 9, 2008.

4. Contracts

The Prime Minister’s office has issued special model contracts to be used by companies formed under the Investment Law. Changes to the provisions of the model contract are permitted, provided they do not conflict with mandatory clauses of the Egyptian Company Law. GAFI accepts contracts consisting of two columns, one in Arabic and one in a foreign language.
5. Industrial Projects

Companies manufacturing goods in Egypt are deemed industrial projects under the Investment Law. Under the definition found in Article 1, Paragraph 3(a) of the Executive Regulations, manufacturing includes the assembly of semi-finished goods imported into Egypt.

6. Free Zones

The Investment Law also regulates the establishment and operation of companies operating within Egyptian Free Zones. Free zones are industrial areas that are exempt from some provisions of Egyptian tax, customs, company, and labour laws. For such purposes, business activities are treated as if they take place outside Egypt. Companies located in Free Zones must be engaged in the same preferred industries required of all companies established under the Investment Law. Whether a product is intended for the Egyptian market is an important factor when a company is considering the establishment of an investment project in a Free Zone. Usually, Free Zones appeal to export-orientated enterprises using a high proportion of foreign components.

However, in 2008, the Investment Law was amended to deprive industries heavily reliant on natural gas and energy from the opportunity of benefitting from the Free Zones regime. These industries have been identified as: (i) steel, (ii) cement, (iii) fertilizers, and (iv) the liquefaction of natural gas. Any company working in one of these areas may only operate under the regular investment law regime and not with the benefit of doing so in the free zones.
There are two types of Free Zones regulated under the Investment Law: (a) public Free Zones; and (b) private Free Zones.

a. Public Free Zones

At present, there are public Free Zones located in Cairo, Alexandria, Port Said, Suez, Ismailia, Damietta, Safaga, and Sohag.

Most of these Free Zones, i.e., the ones located in Cairo, Port Said, Suez, Safaga, and Sohag, are reserved for businesses engaged in manufacturing. The Free Zones located in Alexandria, Ismailia, and Damietta are reserved for assembly. Although there are a few Free Zones available for storing and forwarding goods, this type of project is rarely approved.

Projects within public Free Zones are exempt from customs duties and taxes. Only a 1% administration fee is paid on the value of goods imported or exported by the company. In the case of service companies, the administration fee is 1% of their turnover.

Depending on a company's activity, the annual rent payable for real estate in a Free Zone ranges from US$ 3.50 per square meter for production, to US$ 7 per square meter for storage.

Ismailia is the least expensive Free Zone. Rates range from approximately US$ 2.75 in production areas, to US$ 3.5 per square meter for storage.

A company established in a Free Zone is entitled to set up a so-called “administrative head office” outside the Free Zone (for instance, in Cairo). The intent to create an administrative head
office must be indicated in the application for the establishment of the company and recorded in the company’s register.

b. Private Free Zones

Enterprises with a high proportion of exports may also obtain, on an exceptional basis, approval to establish a private Free Zone. Private Free Zones differ from public Free Zones in that they may be located anywhere in the country. They are primarily established on the premises of the enterprise. Permits to establish private Free Zones are only granted, however, on a very limited basis.

Article 53 of the Executive Regulations of the Investment Law provides that private Free Zones may be established only if they satisfy the following criteria: (i) the “project must have started business;” (ii) at least 50% of production must be exported; and (iii) certain building requirements must be fulfilled.

Article 3 of Law No. 94/2005 was an important amendment to the Investment Law. It added Article 29, which allows companies operating in Free Zones to be given the option to operate under the domestic investment system. Companies exercising that option are liable for customs duties payable on the equipment, machinery, devices, production lines, and the spare parts necessary for their business. The percentage reduction in customs duties and taxes is equal to that percentage of usage referable to the company’s equipment, machinery, tools, and spare parts after they have been in service for one year.
7. Application to GAFI

In order for a company to be established under the Investment Law, the following procedures are required by GAFI:

- Investors must complete an application form setting forth information on both the investors and the proposed project. To save time, security clearance documents required for the foreign partners should be attached to the application. Security clearances typically take between one and two months. It is not necessary to attach feasibility studies or powers of attorney to the application.

- The completed application is sent to a technical committee for the Free Zones that meets every two weeks to discuss and review applications. If legal requirements are met, and the technical committee grants preliminary approval of the project, the application is then referred to the administrative board of the selected Free Zone for final approval. A decision from the administrative board is usually made within a few weeks.

- Upon final approval of the project by the Free Zone’s administrative board, an application to establish the company must be submitted to GAFI, along with a signed founders’ agreement. The application must have attached: (i) powers of attorney from the founders to the designated attorney undertaking the establishment procedures; (ii) a resolution of the company, and (iii) a certified and notarized copy of the relevant extracts of the commercial register (or copies of the investors’ passports).

- Land in Free Zones may be allocated to investors prior to the formation of the company, provided preliminary approval has been obtained. Any intent to purchase a particular plot of land should be indicated in the preliminary application.
Forming a company with GAFI usually takes no longer than 1-2 months from the date the application of incorporation is submitted. The company's capital must be paid up in foreign currency.

8. Settlement of Corporate Disputes

The by-laws of a company established under the Investment Law may contain arbitration provisions. In most cases, GAFI will recognize the jurisdiction of the Cairo Regional Centre for International Commercial Arbitration. In some cases, arbitration clauses in shareholders’ agreements and joint venture agreements may also be recognized.

Foreign investors may conclude branch office agreements with the Investment Authority. Such agreements usually provide for arbitration. Contractual clauses referring to the International Convention for the Settlement of Investment Disputes, ICSID (the Washington Convention) and the Egyptian Law on Arbitral Jurisdiction No. 27/1994, are expressly permitted under Article 7 of the Investment Law. The dispute resolution provisions in many investment protection agreements also are recognized by Egyptian courts, according to ICSID.

9. Investment Protection Agreements

Egypt has signed more than 34 Bilateral Investment Treaties (BITs) with several western countries and other countries across the globe. These agreements usually cover issues such as fair and equitable treatment of foreign investors, repatriation of profits, licence fees, and compensation for expropriation.
According to the United Nations Conference on Trade and Development (UNCTAD), Egypt is the leading Arab state with respect to BITs. In fact, Egypt is amongst the top ten countries worldwide in terms of number of BITs in force. Amongst Egypt’s co-signatories are Germany, France, China, the Netherlands, Switzerland, Spain, South Africa, the UK, and the United States. It is noteworthy that a new BIT was signed between Egypt and Germany on June 16, 2005, to replace the former BIT of July 5, 1974. This new BIT has been ratified, but has not yet entered into force.

One of the primary goals of BITs is to promote favourable conditions for foreign investment. To achieve this end, the treaty not only permits, but also promotes, investments by nationals of the contracting parties. BITs often provide for several incentives to foreign investors. Most BITs prohibit the host state from expropriating the investments of the foreign parties. There are some exceptions, such as expropriations for public purposes. However, such expropriations must be non-discriminatory, compensated, equitable, and adhere to standards of due process of law. Other provisions deal with the physical protection of foreign investments or the unreasonable conduct of host states. The main intent of these types of provisions is to prevent discrimination against foreign investors and to extend to them the benefits enjoyed by domestic investors.

Breaches of any of the above-mentioned provisions usually entitle foreign investors to restitution and/or damages under international law. Many BITs concluded by Egypt provide for the International Centre for the Settlement of Investment Disputes (ICSID) to settle disputes between a member state and nationals of another member state.
ICSID was established in 1965 by the World Bank Convention. ICSID awards are advantageous since they are directly enforceable in the host state, whereas other arbitral awards are enforceable only in accordance with the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention).

10. Special Economic Zones

Law No. 83 on Special Economic Zones was promulgated on May 29, 2002. The law calls for the establishment of special economic zones whose primary purpose is to promote export activities. The law is designed to attract local and foreign investment by establishing new investment zones that enjoy considerable autonomy and operate independently of government bureaucracy. Companies established within these economic zones will be allowed to import capital equipment, raw materials, and intermediate goods free of customs duty. The law envisages the establishment of four zones in North Gulf of Suez, Toshka, East Port Said, and West Damietta but they are not expected to become operational for another 2-3 years. Egyptian government officials view the law as a model for future nationwide application.

XII. Technology Transfer

Rules on technology transfer came into force in Egypt for the first time with the enactment of the new Egyptian Commercial Code (“ECC”) on October 1, 1999. These new rules severely restrict the contractual freedom of foreign transferors of technology and licences.
1. Definition

The law defines technology transfer very broadly. It includes any contract in which technological know-how is transferred against consideration for use in a technical manner. Uses can include the production or development of goods, the establishment and operation of machines or other equipment, or for the rendering of specific services. The mere sale and lease of goods and the sale or the grant of trademarks and trade name licences are not considered technology transfers, unless they are part of a technology transfer agreement or are directly related to such agreements.

2. Form and Content

In order to be legally enforceable, technology transfer agreements must be in writing. They must clearly identify the technology to be transferred and the conditions under which the technology may be used. The agreements, or the transferors in the course of negotiations, must disclose the risks associated with the use of the technology and possible means of avoiding them. Transferors must, in particular, disclose court actions or other proceedings pending before judicial or administrative authorities that might prevent the legal use of the technology, as well as provisions in the licensor’s domestic laws concerning and restricting the export of the technology.

3. Control of Content

The ECC lists certain contractual provisions in technology agreements that may be judicially contested by Egyptian importers
or licensees. For example, the following provisions are subject to judicial challenge: (a) obligations to use specified trademarks for goods produced using the technology transferred; (b) restrictions on output, pricing, export, or distribution channels; (c) provisions allowing transferors of technology to interfere in the businesses of transferees or with their selection of personnel; (d) obligations to purchase specified raw materials, equipment, machines, or spare parts in connection with the use of the technology from technology transferors or specified suppliers; and (e) obligations to sell the entire output to specified buyers.

Similar provisions are frequently included in international licence or manufacturing agreements. Although the law provides that provisions so challenged will not be annulled, it remains to be seen how the Egyptian courts will rule if the purpose of contesting these provisions is to protect Egyptian consumers or to safeguard important interests of Egyptian technology transferees.

4. Jurisdiction, Choice of Law, and Term

Egyptian technology transfer agreements are required to include mandatory provisions on technology transfer found in the Egyptian Commercial Code. Agreements failing to meet this requirement are void.

The Egyptian Commercial Code also grants Egyptian courts exclusive jurisdiction over all disputes arising out of, or related to, technology transfers. Nevertheless, the jurisdiction of a local arbitration court may be agreed upon contractually. Every five years, either party may renegotiate the terms of the contract or terminate it.
XIII. Protection of Intellectual Property

The protection of intellectual property rights in Egypt is a priority in its agenda for legal reform. Egypt joined the World Trade Organization in June 1995, part of Egypt’s commitment under WTO is to implement the provisions of the Trade-Related Aspects of Intellectual Property Rights (“TRIPS”) Agreement, which resulted from the Uruguay Round of the GATT negotiations.

The enactment of Egypt’s first comprehensive Intellectual Property Law, No. 82/2002 (the “IP Law”), significantly improved the protection of intellectual property rights in Egypt and demonstrated Egypt’s intent to move towards a new era of innovation. Unlike previous laws, the new IP Law unified various laws relating to intellectual property, thus forming a single body of law governing trademarks, patents, copyright, and industrial design. For example, one of the major changes in the area of pharmaceuticals, agricultural chemical products, and medicines is that protection now extends to products (which were previously unprotected under the old law), in addition to processes (which were previously so protected).

The Law is organized in four books each book dealing with a bundle of rights over products which may be protected under the Law. The first book governs Patents and Utility models in the first chapter, Layout-designs for Integrated circuits in the second chapter, and provisions governing undisclosed information are set out in a third chapter. The second book governs Trademarks and Trade names, Geographic Indications, and Industrial Designs each respectively in a chapter. A third book governs copyright and related rights and a fourth one deals with Plant Varieties.
Ministerial Decision No. 2/2004 of January 10, 2004, created an IP Unit to disseminate information about the importance of intellectual property to businesses in Egypt. The Unit also assists each specialized industry in protecting their IP rights, managing those rights, and fully benefiting from them.

1. Patent Law

The rules and regulations governing the grant of patents for inventions are primarily contained in the first Book of the IP Law. A patent confers on the owner the right to “exclude others from exploiting [a patented] invention in any way.” (Article 10, IP Law).

a. International Treaties

Egypt is a signatory to the Paris Convention for the Protection of Industrial Property and the Strasbourg Agreement concerning International Patent Classification.


The PCT makes it possible for nationals or residents of contracting states to apply for patent protection for inventions, simultaneously in each of a large number of states by filing "international" patent applications.
b. Patentability

According to Article 1 of the IP Law, patents for inventions will be granted to “each new industrially applicable invention representing an inventive step, whether the invention is related to new industrial products, original industrial methods or a new application of known industrial methods.” Accordingly, applications for patents must meet three criteria; (i) novelty; (ii) inventive step; and (iii) industrial applicability. Furthermore, Article 3 of the IP Law cites the criteria of “novelty” and provides that an invention will not be considered new if: (i) a prior application for the same invention has already been submitted or a patent for the same invention or part thereof was issued in Egypt or elsewhere prior to the date of filing the patent application; or (ii) the invention that is the subject of a prospective patent has previously been used or exploited publicly in Egypt or abroad, or its description has been made known in a manner that would enable people of experience to exploit it prior to the submission of an application for a patent of the invention.

Limitations apply to the protection of inventors’ patent rights. Article 2 of the IP Law sets out inventions that are not patentable. These include inventions affecting national security, public order or morals, the environment, and public health. In addition, some discoveries may not be patented, so as to ensure the dissemination of certain ideas into society. These ideas include scientific theories, mathematical methods, medical treatments and surgery, and biological materials.


c. Employee Inventions

Patent rights to the inventions of employees belong to employers, if they were created in the course of an employment relationship (Article 7 of the IP Law). Patent applications must name the employees and they are entitled to remuneration. In the absence of an agreement, employees are entitled to claim reasonable remuneration. The same applies with respect to commission not covered by the employment relationship, but which are paid for producing a specific invention.

In all other cases of inventions made in the course of employment relationships in public or private enterprises, employers have the option to exploit or acquire the patents from their employees. This option must be exercised within three months after notification of the grant of a patent to an employer, whilst the employee must be rewarded with an adequate consideration. The Civil Code contains similar rules regarding inventions by employees. However, since these rules differ from the Intellectual Property Law, and the relationship between the two sets of rules has not been clarified, contracts addressing these issues must be drafted with care.

d. Duration

The protection period for patents is twenty years from the date of application (Article 9 of the IP Law).

During this period, the IP Law grants patent holders the right personally to exploit their patented inventions, or to receive fair compensation for their efforts.
e. Procedures

According to Articles 12 and 13 of the IP Law, and the relevant Executive Regulations, three copies of the patent application must be submitted in Arabic to the Patent Office at the Scientific Research Academy. Applications are required to set forth detailed descriptions of the invention. The application fee is LE 150, plus the patent attorney's fee. According to Article 16 of the IP Law, the Egyptian patent office is required to examine each application in order to verify that the invention satisfies legal requirements. It is also required to determine whether the conditions for application are satisfied. Third parties may object to any patent within 60 (sixty) days following publication of the related patent application. In the case of patent applications which appear to be related to defence, military production, or public security, the competent minister may object within a period of 90 (ninety) days. The patent office is competent to decide any objections raised. Decisions of the patent office may be appealed before a committee within the agency.

f. Patent Rights

According to Article 10 of the IP Law, the grant of a patent confers on its owner the right to exclude others from exploiting a patented invention in any manner. However, patents may be compulsorily licensed to third parties if the patent holder fails to use the inventions in Egypt within four years from the date of the patent application, or within three years from the grant date, whichever is longer. A compulsory license also may be granted if a patent holder does not exploit an invention for more than one year without “justifiable cause” (Article 23, IP Law). Where patent holders are not responsible for the failure to use their inventions,
extensions up to two years may be granted. An invention may be totally or partially expropriated for reasonable compensation for reasons of public welfare or national security (Article 25, IP Law).

g. Patent Infringement

The IP Law provides for protection against patent infringement by means of recourse to civil and penal proceedings. According to Article 32 of the IP Law, infringers are subject to a fine ranging from LE 20,000 to LE 100,000. Repeat offenders are subject to imprisonment for a period not exceeding two years, and a fine ranging from LE 40,000 to LE 200,000. In all cases, the courts will confiscate copies of the protected products, as well as the instruments used in producing them.

Article 33 of the IP Law gives patent holders the right to apply to the competent courts for injunctions requiring the confiscation of counterfeit products and the equipment used in the infringement.

2. Trademarks

The rules and regulations governing trademarks are primarily contained in the second Book of the IP Law.

a. International Treaties

Egypt has signed the following international treaties:

- The Paris Convention for the Protection of Industrial Property, as amended in Stockholm (since March 6, 1975);
b. Protection of Trademarks

The Trademark section of the IP Law aids consumers in identifying the sources of goods or services. It also assists brand owners in creating and protecting the goodwill of their businesses, which is their image, good reputation and expectation of repeat patronage. Although intangible, such goodwill is often extremely valuable.

Article 63 of the IP Law defines a trademark as “all that distinguishes a product, be it a commodity or a service.” It also requires that trademarks must be, in all cases, discernable by sight. Therefore, the registration of audio and smell marks is not possible. A further restriction relates to the design of products, since some Egyptian legal commentators take the view that, under the IP Law, the shape of goods may be protected only as a registered design, not a trademark.

The legal owner of a trademark may prevent third parties from importing, using, selling, or distributing the products characterised by it. The rights conferred by a trademark are designed to prevent the use of similar marks or features which are
likely to confuse the relevant public or which dilute the distinctive quality of the mark.

One of the novel rights introduced by the IP Law relates to the protection of well-known marks, whereby the owner of a “well-known” trademark, worldwide and in Egypt, will have the right to enjoy the protection conferred by this Law even if such a mark is not registered in Egypt (Article 68 IP Law).

In practice, the application of these rules is subject to the discretion of local courts, which decide the matter on a case by case basis. The courts take into account the extent to which the mark in question is known to Egyptian consumers and in how many other countries the mark is registered. The ability to establish an infringer’s bad faith is helpful in building a case against an infringer.

c. Acquisition of Trademarks

The acquisition of a trademark is not only conditional upon proper registration in the Trade Registration Office (TRO), which is the competent authority for the registration of trademarks in Egypt, but also conditional upon its use within five years of registration (Article 65, IP Law). Trademarks are registered for certain categories or types of products, and are limited to the registered categories.

As set out in Article 68 of the IP Law, the benefits of trademark registration also are extended to the owners of well-known trademarks, even if their trademarks have not been registered in Egypt. In applying this provision, the TRO must automatically refuse any application for registration of a mark similar to a well-known mark, unless the owner of the well-known
mark submits it. Thus, the owner of a well-known trademark is granted substantial safeguards regarding that mark.

For a trademark to be considered as registered, the decision of the TRO concerning the registration must have been published in the Trademarks and Industrial Drawings and Designs Journal, and must not have been opposed by any interested party within 60 (sixty) days from the date of publication (Article 80, IP Law). The date of registration is the date of the submission of the application (Article 83, IP Law).

d. Period of Protection

According to Article 90 of the IP Law, trademarks are protected for a period of 10 years. Applications for renewal must be submitted during the final year of the period of protection or, at the latest, three months following the expiration of the protection period, provided appropriate notification was submitted to the trademark office. The trademark registration may be renewed beyond the 10-year protection period upon timely application and payment of additional fees.

e. Procedure in Cases of Conflicting Trade marks

If an application is submitted to register a trademark, which is already registered, the application will be refused. In reviewing applications, the trademark office carries out *ex officio* examinations to identify any similarly registered trademarks. However, the trademark office typically handles a large volume of applications and examinations may be incomplete. Owners of trademarks that already have been registered may object to any
trademark application by a third party. In the event that a conflicting trademark is registered, the civil courts have jurisdiction over all trademark disputes relating to trademark infringement.

**f. Loss of a Trademark**

Trademarks in Egypt are subject to compulsory use. Therefore, if a trademark has not been used for five years, without adequate justification, a third party may request cancellation of the trademark (Article 91 of the IP Law). A trademark also may be cancelled if it is deliberately abandoned. This may be implied if there is a cessation of business activities. Furthermore, any interested party or the TRO, may request the addition of missing information in the register or the amendment of information which is incorrect or unlawfully registered therein. If a trademark is cancelled, the same trademark may not be registered again in the name of a third party until after three full years from the date of cancellation. During that period, only the previous owner may re-register the mark, and a third party may not register the mark as long as it continues to be used by the original owner. However, if the trademark registration was cancelled by virtue of a final enforceable Court decision, the mark may immediately be registered in the name of any third party.

**g. License Agreements**

Egyptian law allows the licensing of trademarks. It must be noted that, under Egyptian law, licensees are only permitted to assign or sub-license the licensed rights if this is expressly permitted in the licence agreement. Licences must be registered to
be enforceable against third parties. Some legal commentators advocate restricting the right of foreign licensors to require licensees to use specific raw materials or materials delivered by the licensor. Depending on the facts, this practice also may be subject to challenge under the Egyptian Anti-Competition Law. (See Section IX of this Guide).

h. Infringement Proceedings and Injunctions

The IP Law affords trademarks protection under both criminal and civil law. However, unlike the protection of civil law, which extends to unregistered trademarks, criminal law protection is available only for trademarks that are registered in Egypt.

According to Article 113 of the IP Law, any person who:

- counterfeits a trademark registered in accordance with the law or imitates it in a manner which is likely to mislead the public;
- fraudulently uses counterfeit or forged trademarks;
- fraudulently affixes to his products a trademark belonging to a third party; or
- knowingly sells, offers for sale or distribution, or acquires for the purpose of sale, products bearing a counterfeit or imitated mark, or on which the mark was unlawfully affixed,

shall be liable to imprisonment for a period of not less than two months and/or to a fine ranging between LE 5,000 to LE 20,000,
without prejudice to any punishment available under any other law.

In all cases, the court must order the confiscation of the infringing products, the revenue and the profits from such products, as well as the implements used in the infringement. The court may, when issuing its ruling, order the closure of the enterprise used to commit the infringement for a period not exceeding six months. In the event of repeat offences, the enterprise must be closed for six months or longer, based upon the discretion of the court.

A civil action may be initiated against infringers under the provisions of trademark law, even if the holder of the mark has not registered it in Egypt.

Applications for enforcement may be made to the competent civil court for one or more measures aimed at preserving evidence of infringement, regardless of the type of action brought, provided there is evidence of infringement. These available measures include drawing up an exhaustive inventory and detailed description of all machines and implements used, or which may have been used, in the infringement, as well as the products, goods, signboards of shops, packaging, invoices, correspondence, advertisements, or similar items, on which the trademark subject of the offence, might have been affixed, as well as the products imported. In accordance with Article 115 of the IP Law, the owner of a trademark may apply to the President of the competent court to order the seizure of all materials related to the infringing acts committed by the infringer. The IP Law requires legal proceedings to be initiated before the competent court within 15 days following the issue of the order for provisional measures.
However, in cases of trademarks not registered in Egypt, it is left to the court’s discretion to decide whether provisional measures should be ordered against infringers in Egypt.

Finally, a liaison center for intellectual property affairs was created in Cairo by Decree No. 379/2001. That office may establish branches in other ports and customs outlets. The main purpose of this office is to combat infringements of intellectual property rights in accordance with the TRIPS treaty, to examine complaints of violations, to coordinate with other member states, and to assist the Egyptian authorities.

3. Copyright

The rules and regulations governing copyright are primarily set out in the third Book of the IP Law.

a. International Treaties

Egypt has been a signatory of the Revised Berne Convention (Paris version) since June 7, 1977, the Convention establishing the World Intellectual Property Association since April 21, 1971, as well as the Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms (“Geneva Phonogram Convention”) since April 23, 1978. Egypt also has concluded several trade agreements regarding reciprocal national treatment of the acquisition and protection of industrial property.
b. Protected Works

Article 140 of the IP Law states that “authors’ copyrights will enjoy the protection of the present law on their literary and artistic compilations.” Compilations are defined under Article 138 of the IP Law as “any literary, artistic or scientific set, whatever its kind, the method of expressing it, its importance, or the purpose of its composition”. Protected compilations include: (i) books, booklets, articles, publications, and other written compilations; (ii) computer software; (iii) databases; (iv) lectures, speeches, and sermons; (v) drama compilations; (vi) musical compilations; (vii) audio-visual compilations; (viii) architectural compilations; (ix) drawing compilations, carvings and prints; (x) photographic compilations; (xi) applied and plastic art compilations; (xii) illustrative figures, geographical charts, sketches, and three-dimensional compilations; and (xiii) derived compilations solely to the extent of the derivations from the original compilation. Furthermore, the title to the compilation will be protected if it is original and innovative.

Obtaining copyright protection for a particular compilation gives the author the exclusive right in licensing or in preventing any exploitation of his/her compilation in any manner, particularly by copying, broadcasting, re-broadcasting, public recitals and performance, public transmission, translation, editing, lending, loaning, or making it accessible to the public, including its accessibility through computers, the internet, data or communications networks, and other methods. (Article 147, IP Law).
In addition, Article 143 grants the author “non-prescriptive and unalienable rights on his protected compilations,” such as: (i) the right of first distribution to the public; (ii) the right to identify himself as the author of the work; and (iii) the right to prevent the distortion or misrepresentation of the compilation through amendment.

c. Copyright Owner

Egyptian copyright law provides for sole authorship and co-authorship protection. Co-authorship exists where several persons cooperate in the creation of a work, the single contributions of which cannot be separated from each other. In addition, Egyptian copyright law contains a special regulation for cases in which several parties participate in creating a work under the responsibility of an individual or legal entity, and the single contributions are designed to serve a defined purpose determined by the person with the final responsibility. If the single contributions are linked in such a manner as to make it impossible to separate them from each other, the resulting work is considered as a collective work, the authorship of which belongs to the person (whether an individual or a legal entity), who was responsible for managing the work (Article 138, No. 4, IP Law). If the above-mentioned prerequisites are fulfilled, there is no need for a contract assigning the rights to a work created by employees for their employers.

However, Article 138, No. 4 does not apply if an employee's contributions can be distinguished from those of other employees. In such cases, it may be possible for that employee to exploit those rights independently. As a result, Egyptian intellectual property agreements are complicated and should be
considered carefully and only prepared by an experienced legal professional.

d. Period of Protection

According to Article 160 of the IP Law, the author’s financial rights will be protected during the author’s lifetime and for a period of 50 (fifty) years after his or her death. In case of co-authorship for the account of a legal entity, the related rights will be protected for a period of fifty years from the day the work was made available to the public. Producers are entitled to make available to the public a sound recording by any means and to prevent any exploitation of their recordings for a period of fifty years from recording or publication, whichever is longer. Likewise, broadcast authorities may authorize the exclusive exploitation of their recordings and prevent the unauthorized transmission of recordings of their programs to the public for a period of twenty years from the date of first transmission. Broadcasters are also granted the right to broadcast compilations performed in public places, provided the actual authors receive fair monetary or other compensation.

e. Copyright Infringement and Injunctions

According to Article 179 of the IP Law, upon infringement of protected copyrights, courts of competent jurisdiction may: (i) stop the publication, display, copying, or manufacture of infringing compilations, recitals, performance, sound and tape recordings, or broadcasting programmes; (ii) order the confiscation of such works and of the equipment used for the infringement; (iii) close the infringing establishment; and (iv)
order the attachment of all revenue generated from the unlawful exploitation.

Furthermore, copyright infringers face imprisonment and fines for: (i) selling or renting compilations, recitals, performance, sound and tape recordings, or broadcasting programmes without the author’s consent; (ii) imitating and then selling copyright material; (iii) publishing compilations, recitals, performance, sound and tape recordings, or broadcasting programmes through computers or the internet; (iv) removing in bad faith any technological protection such as coding; and (v) encroaching on any literary or financial rights of authors. The law, thus, provides substantial protection for authors, artists, producers, and broadcasters.

Article 181 of the IP Law provides for imprisonment for not less than one month and/or fines ranging from LE 5,000 to LE 10,000, for copyright infringers. These penalties are multiplied in cases in which more than one compilation is illegally copied. In cases of repeat offences, the penalty is imprisonment for a period of not less than three months and a fine ranging from LE 10,000 to LE 50,000.

Authors may also claim civil damages, which are regulated by Egyptian Civil Law, not by the IP Law.

4. Other Intellectual Property Rights

The IP Law also protects novel Intellectual Property rights ("novel IPR") which includes:
f. Trade secrets

The IP Law confers protection for trade secrets ("undisclosed information") provided that they are:

(i) information which is confidential, in the sense that it is not, as a body or in the precise configuration or assembly of its components, generally known or common among those involved in the industrial field within the scope of which the information falls; (ii) information that has commercial value because it is confidential; [and] (iii) information that depends on the effective measures taken by the person lawfully in control of it, to keep it confidential....

Furthermore, the IP law specifically protects for five years information submitted at the request of competent authorities for the marketing of pharmaceutical or agrochemical products.
g. Plant Varieties

One of the most important novel Intellectual Property rights created by the IP Law, and contained in the last book of the IP Law, are Plant Variety Rights. These are an essential tool for the agricultural community and, given the history of Egypt in agriculture, this novel IPR is of considerable importance.

h. Layout designs of integrated circuits

Another novel IPR that was introduced by the IP Law is protection of topography. A layout design under the IP Law is considered novel if it is the result of its creator's own intellectual effort and is not part of the general knowledge common among professionals of the relevant industrial field. Nevertheless, a layout design consisting of elements that are part of general knowledge common among professionals of the relevant industrial art is also considered novel if the combination of its components and their interconnections are in themselves original. Protection for layout designs will not apply to any concept, process, technology, or any coded information stored in the layout design of an integrated circuit.

XIV. Acquisition of real estate by Foreigners

In principle, Law no. 230 of 1996 regulates the possession of real estate by non-citizens, whether they are natural or juridical persons. A number of restrictions apply, depending on the purpose of the purchase of the real estate. Foreigners, in the sense of this
law, encompass all natural persons who do not have Egyptian nationality, as well as all capital or private companies that do not have a majority participation of Egyptian natural or legal persons.

1. Purchase of Real Estate for Business Operations

According to Law No. 230/1996, foreigners are allowed to purchase real estate “to realize a project that has been approved by the competent Egyptian Authority”. In 2005, Law No. 94 was issued amending some of the provisions of the Companies Law, No. 159 of 1981, and the Investment Law, No. 8 of 1997. This law confirms that companies established in Egypt, regardless of the nationality of the shareholders, have the right to obtain ownership of land so far as necessary for the execution of their business operations.

Further details in this respect are set forth in the Prime Minister’s Decision No. 350/2007 of 22 February 2007, which provides that the right of companies to purchase land for the execution of their business operations is, in principle, unrestricted. Purchases by foreigners are not permitted in certain designated areas, such as military zones, border areas, islands and certain coastal areas. No freehold title can be acquired to land on the Sinai Peninsula; instead, one can only purchase a usufruct right for a maximum duration of 99 years. The Decree did not include any restrictions relating to the size of the real estate that could be temporarily used or owned by foreigners in the restricted areas.

Accordingly, except for the restricted areas, companies and legal entities may now own real estate of any size, as long as such real estate is necessary for the exercise of their activities or the
expansion thereof, even if these companies or entities are majority-owned or controlled by foreigners.

2. Purchase of Residential Real Estate

Under Article 2 of Law No. 230 of 1996, foreigners may acquire up to two parcels of real estate measuring a maximum of 4,000 square meters each “for residential purposes for themselves and their families”.

Based on Law No. 230/1996, foreigners may only resell their real property after the lapse of a period of five years from the date of registration. This is meant to prevent speculation. The prime minister may allow, for substantiated cases, for exemptions from this prohibition.

3. Purchase of Real Estate in Tourist Projects

According to Prime Minister Decree No. 548/2005 of 4 April 2005, foreigners enjoy the same rights as Egyptian nationals with respect to certain areas designated by the Minister of Tourism. This applies for example to certain areas south of Hurghada and in other places along the Red Sea and Mediterranean coast. However, as Law No. 230/1996 only grants the Prime Minister limited rights of derogation, it appears equal treatment would only apply to the five-year restriction on transfer.

4. Other Laws

According to Law No. 15/1963 foreigners may not purchase agricultural land. Only projects approved under the
Investment Law are exempted from this rule. According to Law No. 143/1981, desert and uncultivated land shall only be purchased in limited size, namely 10,000 Feddan (1 Feddan equals 4,200 m²) by partnerships and 50,000 Feddan by investment companies. The Egyptian participation in these companies must be at least 51%.

5. Sale and Purchase Contracts

One can distinguish two steps in the purchase of real estate in Egypt. First, the parties agree upon a preliminary contract (aqd ebtida’i), in which they agree on the sale of the property, the price and the key elements involved in the sale. In spite of its name, this preliminary contract is binding and grants the buyer the right to require from the seller all actions and statements required for the purchase.

Title is not transferred, however, by this preliminary contract. Transfer of title typically only occurs when entering the sale in the Land Registry, for which the parties sign a separate second contract at a later stage (aqd niha’i).

6. Real Estate Registration

Although Egyptian civil law provides that registration of real estate is a precondition for ownership, most of the real estate in Egypt has not been registered.

In order to register real estate, the buyer must file a registration request with the Land Registration Office. It is advisable that the buyer makes this request to the Land Registration Office immediately after signing the preliminary contract. The main reason for this is that filing the request with the...
Land Registration Office will result in the buyer’s right of entry having priority over later entries by third parties.

The average duration of the registration procedures is 4 to 8 months. In some cases, especially when the seller is himself not yet registered in the land registry, registration may take several years. This will be the case with tourist projects in particular.

7. Mortgage Finance

Since the issuance of the Real Estate Finance Law (No. 148/2001), the Egyptian mortgage finance sector has witnessed modest but steady growth.

a. Purpose of mortgage finance

According to Article 1 of the law, mortgage finance can be obtained for the acquisition of both residential and commercial property as well as for improvements and construction works.

b. Features of mortgage finance

The executive regulations of the law (Ministerial Council Decree No. 1 of 2001) provide that finance may be made available up to a maximum of 90% of the value of the real estate or the cost of the improvement or construction and that the repayment instalments for the mortgage may not exceed 40% of the income of the borrower (Article 3). In practice, these percentages tend to be lower, especially in case of mortgage finance for foreigners. The maximum term in practice varies between ten and twenty years.
Mortgage finance can be obtained both in Egyptian Pounds as well as in other currencies, US dollar being the foreign currency most offered.

Under the current legal framework, it has proven difficult for foreigners who do not have residence in Egypt to obtain mortgage finance for real estate acquired ‘off plan’. For certain large-scale developments, lenders have agreed, however, to provide loans on the basis of land allocation documents pertaining to the development and a negative pledge certificate for the real estate to be acquired by the borrower.

c. Default

The Real Estate Finance Law defines default by the borrower as (i) a failure to make payment after 30 days from the date of an instalment becoming due; or (ii) a decrease in value of the property securing the loan due to act or omission of the borrower. In both events, the mortgage finance company may obtain a court ruling requiring the owner to remedy the breach within 60 days. If the owner fails to do so, the borrower must repay the loan in full within 30 days and the lender may initiate legal action to take over the real estate through foreclosure (Article 13).

8. Taxation and Fees

A number of taxes and fees are applicable to the purchase, sale, registration and ownership of real estate in Egypt.
a. Taxes

Taxes applicable to real estate are commonly payable by the owner and in some cases by the person holding, a right in rem granted over the real estate (right of usufruct). The following taxes are of particular relevance:

i. Taxes on the Acquisition of Land

No taxes on the acquisition of real estate exist in Egypt, although a fee is payable upon the registration thereof in the land register (see paragraph (b) below).

ii. Taxes on Gain

According to Article 42 of the new Egyptian Income Tax Law of 2005 (Law No. 91/2005), the disposal of plots of land and/or buildings is subject to a tax amounting to 2.5% of the total sale proceeds. Insofar as the disposal takes place within the scope of a business, the profit, meaning the difference between the purchase and sales price, is subject to income tax in accordance to Article 19 point 7. In the past, it was often possible to opt between the two types of taxation. It, however, remains to be seen whether this will remain possible after the coming into force of the new Income Tax Law.

iii. Tax on Income derived from Lease

The Income Tax Law, as amended by the new Real Estate Tax Law (Law No. 196/2008) renders the revenues derived from
the lease of real estate subject to income tax (Article 37). In accordance with Articles 39, as amended, and 41 of the Income Tax Law, the taxable income is determined on the basis of the actual rental proceeds less 50% for cost and expenses. Expenses related to the lease are not deductible as they are deemed to be compensated through the 50% of the rent that is not taxed.

Income tax for natural persons is levied on a progressive basis as further described in Chapter XVI (Tax Law). For legal persons, a uniform tax level of 20% applies.

iv. Annual land tax

Finally, owners of real property must pay an annual land tax under the Real Estate Tax Law, issued on 23 June 2008. At the time of writing, the executive regulations of the law had not yet been published and it remains to be seen how the annual land tax will be implemented by the authorities in practice.

The tax amounts to 10% of the annual rental value which is derived from a notional market value of the real estate less 30% for residential real estate and 32% for non-residential real estate. The deduction covers all expenses incurred in relation to the real estate, including maintenance cost. The actual percentage payable varies between 0.01% for real estate with a notional value of LE 500,000 and 0.12% for real estate valued LE 15,000,000 and up.

According to Article 45 of the Income Tax Law, taxes paid under the Real Estate Tax Law may be deducted from tax payments due under the Income Tax Law, provided that the
deducted amount may not exceed the tax due under the Income Tax Law.

The tax becomes due on the first of January each year and, according to Article 23 of the Real Estate Tax Law, is payable in two equal instalments payable at the end of June and December respectively.

b. Fees

The execution version of the final purchase contract issued by the registration office is subject to a fee, which is calculated under Law No. 8/2006 on the basis of the value of the plot of land up to a maximum amount of LE 2,000.00. This amount is payable by the buyer. The parties, however, are free to agree otherwise.

XV. Labour law

Egyptian labour law is recognised as being employee friendly and often causes employers considerable problems. In practice, experienced foreign investors may solve these problems without litigation by understanding Egyptian labour laws and practice and consulting with legal professionals experienced in this area. It is noteworthy that foreign employees do not enjoy the same protection as Egyptian nationals under the Egyptian labour law in respect to some issues relating mainly to the termination of employment contracts.
1. Legal Basis

The rules organizing employer-employee relationships in Egypt are set out in the Labour Law No. 12/2003 (the “New Labour Law”), which was updated and amended by Law No. 90/2005, and in Articles 674 to 698 of Law No. 13/1948 of the Egyptian Civil Code. The New Labour Law, which came into force on July 6, 2003, abolished the Labour Law No. 137/1981 (the “Old Labour Law”). According to Article 6 of the Preamble to the New Labour Law, the Executive Decrees promulgated under the Old Labour Law remain in force where they do not contradict the provisions of the New Labour Law. Additional provisions also are found in the Social Security Law No. 79/1979.

2. Labour Contracts

Labour contracts must be drafted in writing, in Arabic (or in bilingual form), and in at least three original counterparts. The employer, the employee, and the Office for Social Security Affairs each receive one counterpart. Article 32 of the New Labour Law lists a number of mandatory provisions, which a labour contract must contain. The minimum legal wage for the private sector used to be LE 35 per month, but has been recently subject to a number of increases by the Ministry of Manpower and Immigration.

Labour contracts usually contain a three-month probation period. They may be concluded for a definite or an indefinite term. If a labour contract is for a fixed term and the employer accepts work performed beyond the expiration of such definite term, the employment relationship automatically extends for an indefinite term, provided the employee is Egyptian. Foreign employees may not enter into labour contracts for indefinite terms. Under the Old
Labour Law, employers could enter into only one definite term employment contract with the same employee which term should not have exceeded one year. However, under the New Labour Law, the parties are allowed to conclude multiple definite term employment contracts provided their terms do not exceed in aggregate five years.

Employment contracts must be expressly renewed, preferably by written agreement between the parties. Egyptian courts have in the past repeatedly approved choice of law clauses in labour contracts, provided there was a specific connection to the chosen law. However, this issue is controversial and the law is not finally settled.

3. Working Hours and Holiday

Basically, employees may not work more than 8 hours per day, 6 days a week, without being paid for overtime. In certain, exceptional cases which are determined by the Ministry of Manpower and Immigration, it is permissible for an employee to work for additional hours beyond the limit set above.

Employees are entitled to 21 vacation days per annum after the first full year of employment. Employees who are older than 50, or who have been working for more than 10 successive years for the same or different employers, are entitled to 30 vacation days per year.

4. Medical and Social Insurance

Every employer in Egypt must pay social security contributions amounting to 34% of the gross income of each employee (both the basic and the variable salary) to the pension
fund of the Ministry of Social Affairs. 23% of this 34% must be borne by the employer, and the remaining 11% must be borne by the employee. The cap on the amount of the basic and the variable salaries subject to social insurance is LE 700 for the basic salary and LE 500 for the variable salary. Therefore, LE 1200 is the maximum amount on which the employer and the employee must pay social insurance.

5. Termination and Dismissal

The New Labour Law provides important protective measures for employees. The dismissal of an unsatisfactory employee or terminating an employment relationship in general is often a difficult procedure. Problems may be minimized in this respect by the careful planning and precise drafting of the employment agreement, by full awareness and exercise of rights and procedures with respect to termination and by maintaining accurate and appropriate attendance sheets and other personal records.

a. Termination

The New Law Labour Law stipulates various reasons for the termination of an employment agreement.

At first, during the probation period but no later than its end, the employment relationship may be terminated for any reason whatsoever by either party without the possibility of any challenge by the other party or any need for compensation.
In case of a fixed-term employment contract, the employment will expire on the last day of its term or upon completion of the work assignment in the case of temporary or casual employees. Although no notice is required by law to achieve the termination of a fixed-term contract, it is advisable that a written notice is sent to the employee prior to the expiry of the contract.

It is worth mentioning that the law does not regulate the termination of fixed term employment contracts prior to the expiry of their term. In practice, it is, thus, possible for the parties to agree on the termination of a definite-term contract prior to its expiry, subject to prior notification and if necessary, payment of compensation which would amount to the employee’s total salary for the remaining period of the contract.

If a contract is concluded for more than five years, the employee may terminate it without indemnity after five years after notifying the employer three months in advance of the proposed termination. Conversely, if the contract is concluded for the purpose of accomplishing specific work, the employee may not terminate the contract until the work is completed.

On the other hand, an employer may only terminate an employment contract concluded for an indefinite term for grave default by the employee as per Article 110 of the New Labour Law, provided that such termination is carried out in accordance with the limitations and procedures prescribed by the law and explained in further detail hereafter. In case of termination without cause on the part of the employer, the latter will be liable for compensation as a result of the unjustified termination of the employment relationship.
Apart from the above, the New Labour Law stipulates that the death of an employee terminates an employment contract and that the partial or total disability of the employee rendering him unable to perform is basic duties constitutes a ground for dismissal.

Finally, the employer may not send the employee into retirement until he is at least 60 years of age and has fulfilled the minimum service period needed to qualify for the government controlled pension plan.

b. Dismissal

Dismissal terminates employment only if it is based on reasonable grounds and is carried out in compliance with legally required procedures.

The reasonable grounds or the just cause for termination may be provided for in the employment contract or by law. The only permissible ground for dismissal is the grave default or breach of substantial obligations on the part of the employee. Examples of specific acts, which constitute such grave default, are provided for in Article 69 of the New Labour Law. Among other reasons, the law stipulates that the assumption of a false identity or submission of forged certificates or references, a default by the employee that results in severe loss to the employer or the failure or refusal to perform crucial duties by the employee constitute reasonable grounds for dismissal.

Even if an employee’s act falls within the scope of one of the reasons for termination stipulated in Article 69 of the New
Labour Law, an employee may not be dismissed unless the legally required procedures are followed.

As a first step, the employer has the right to conduct an interrogation of the employee, in which the employee is interrogated about the facts, on which the dismissal is based. This gives the employee a first opportunity to defend him/herself.

According to Article 70 of the New Labour Law, the employee or the employer may apply for a committee formed of a representative of the competent administrative authority, a representative of the Workers’ union and a representative of the Employers Association to amicably settle any dispute arising out of the employment contract within ten days from the date of the dispute. If no settlement is reached within 21 days from the date of submission of such request, either party to the dispute may request the competent administrative authority to refer the dispute to the labour court referred to in Article 71 of the New Labour Law or to have recourse to the said court within a maximum of 45 days from the date when the period set for settlement has expired. This procedure must be followed regardless of whether or not a request has been filed with the committee referred to above for amicable settlement of the dispute; otherwise, the parties’ right to refer the matter to court shall lapse.

When a case of dismissal is at hand, it is generally advisable for the employer to try to settle the matter amicably with the employee by reaching an agreement whereby the employee receives two months salary for each year of service in exchange for submitting his written resignation and signing a declaration that he has received all of his financial rights and entitlements, since court proceedings before the Egyptian courts
may last for quite a long time and any judgment to be issued by the court of first instance may also be subject to appeal.

6. Work Permits

According to Article 28 of the New Labour Law, any foreign national wishing to work on a permanent basis in Egypt must apply for a work permit, irrespective of whether he is employed or self-employed. A residence permit is usually granted on submission of a work permit. Normally, both are issued for periods of twelve months. Board Members of companies established under the Investment Law are often granted work and residence permits for up to five years.

For a work permit to be granted, at least 90% of the applicant company's employees must be Egyptian. In addition, there must be a specific need to employ foreign employees, e.g., due to an employee’s specific qualifications. Furthermore, the company must employ at least one Egyptian assistant to be trained by the foreign employee and to take over the functions of the “principal” at a later date. However, the 9:1 rule as regards employment of foreigners does not apply in certain cases, such as employees of representative offices, managers of branch offices and general managers of limited liability companies whose names are annotated in the company’s commercial register.

In practice, and by international standards, obtaining a work permit for foreigners in Egypt for the first time is not difficult. However, renewals may be more difficult to obtain.
XVI. Banking law

1. Structure of the Banking Sector

Since 1991, the Egyptian financial sector has been undergoing a process of liberalization and transformation with the support of the World Bank and the International Monetary Fund (IMF). Previously, the financial sector was dominated by the State, as exemplified by the four major State-owned banks: Banque Misr, National Bank of Egypt, Banque du Caire and Bank of Alexandria. The restructuring of the financial sector, and particularly the privatisation of the four State-owned commercial banks, has been given high priority. The State is also gradually reducing its influence in the financial system by selling its majority participation in many joint-venture-banks.

As part of the restructuring process, the New Banking Law, No. 88/2003 (“the Banking Law”) was enacted in line with the standards of the Basel II Agreement. The Banking Law aims at strengthening the Egyptian banking structure by improving financial ratios and governance rules. By virtue of this law, the Central Bank of Egypt is a supervisory, independent authority “attached to the president of the Republic” (Article 1, Banking Law).

The Banking law introduced stricter rules to improve asset quality, increase minimum capital requirements and force consolidation. The issuance of the Banking law thus catalyzed mergers and acquisitions by imposing new minimum capital requirements (EGP 500 million) on banks. Several mergers and acquisitions have since followed, including the merger of Cairo Bank into Misr Bank in December 2005 and the acquisition of an 80% stake in the Bank of Alexandria by the Italian banking group,
Intesa SanPaolo IMI. Since the onset of the reform program, the number of banks operating in Egypt has dropped down from 62 (2003) to 40 (2008) and the market share of state banks has fallen from 80% to 45%.

The attempt to reduce the number of commercial banks in Egypt and to create banks with a greater capital base and better asset quality is still continuing. However, the market has recently witnessed a number of deals falling through, the most important of which being the postponement of the sale of 67% of Banque du Caire and the breaking off of merger talks between one of Egypt’s largest private banks, Commercial International Bank and the Arab African International Bank in 2008.

a. Foreign Participation

Foreign investors are allowed, pursuant to Article 49 of the Banking Law, to participate in Egyptian banks and no limit or cap is applicable to their respective shareholdings. However, a veto right is reserved to the Central Bank of Egypt with respect to acquisitions of more than 10% or of any other percentage leading to actual control of an Egyptian bank.

b. Foreign Banks

Many foreign banks maintain a mere representation office in Egypt, whose works are of an exclusively preparatory nature.

Apart from the above-mentioned joint-venture-banks, a number of foreign banks have also established branches offering typical banking services, such as the grant of loans, maintaining
accounts and transfers of funds. The new Banking Law has abolished many restrictions that were imposed on branches of foreign banks.

c. Islamic Banks

In addition to conventional banking institutions, a number of Islamic banks also operate in Egypt. Unlike their conventional counterparts, Islamic banks pay no fixed interest on deposited funds. Instead, the mobilization and the use of funds are based on some form of profit sharing among the depositors, the bank and the entrepreneurs.

In principle, these profit loss sharing arrangements should be applied by an Islamic bank to raise funds in the form of deposits as well as to deploy funds on the assets side. However, given the pronounced adverse selection and moral hazard pertinent of such arrangements, Islamic banks have eventually come to replicate on the asset side the asset structures of conventional banks almost perfectly, replacing loan receivables on the balance sheet with credit-sale price receivables and rents, and replacing bonds with Sukuk.

2. Keeping an Account with an Egyptian Bank

Accounts in Egypt may be kept in foreign currency (e.g. EUR or US$). The retransfer of funds to a foreign country – including funds held in foreign currency – is not restricted by Egyptian law.
a. Opening a Private Account

In order to open a private account, a foreign account holder must provide proof of identity by presenting a valid passport and reporting details of his other bank relationships. A number of banks might refuse to open accounts for small customers.

b. Opening a Business Account

In order to open a business account, the following documents usually must be submitted: (i) the statutes or by-laws of the business; (ii) a shareholders’ or partners’ resolution authorizing the opening of the account; and (iii) a specimen signature. Details of other bank relationships must also be provided.

c. Bank Secrecy

The Banking Law endorses the secrecy of banking transactions in Egypt. Therefore, banks in Egypt must keep confidential all customer data with regard to accounts, trusts, safes, transactions and money deposits. A bank may only be released from its confidentiality obligation by written permission of the customer or by a court order. A court will issue an order only if the bank customer is suspected of having committed a criminal act. Bank records are, however, subject to the Anti Money-Laundering Law (see Section XV (6) of this Guide).
3. Granting of Loans

Egyptian banks may grant loans to subsidiaries, representation offices and branch offices of foreign companies. The following documents usually must accompany an application for a loan:

- The most recent annual accounting and financial statements, for three successive years;
- The statutes or by-laws, in particular the representation clauses (i.e., who is legally authorized to represent the company in Egypt);
- A cash flow forecast, whereby the borrower must explain the sources from which the loan is to be repaid;
- A feasibility study of the project to be financed;
- A commercial register extract from the jurisdiction where the business was formed, or its equivalent;
- Copies of all Egyptian tax assessments, along with proof that they have been paid; and
- An explanation of the purpose of the loan.

Egyptian banks usually accept the following forms of security:

- Mortgages on real properties (i.e., a real estate mortgage);
- Possessory liens in all its forms, including goods;
Fonds de commerce mortgage;
Borrower’s promissory notes;
Banker’s acceptances;
Transfers of liens of the borrower;
Assignments of claims;
Pledge of shares;
Transfers of tradable securities, such as bonds, shares, debentures, etc.; and
Bank guarantees and guarantees from the parent company.

If a foreign company wishes to establish a subsidiary in Egypt and finance its establishment through a local bank, Egyptian banks usually require guarantees from the parent company (shareholder’s guarantee) or bank guarantees, since the subsidiary, as a new entity, will have no profit and loss statements, on which the credit assessment could be based.

4. Means of Payment and Guarantees

As a result of the liberalization of Egyptian trade rules, all customary means of payment known in international business have now become permissible. Letters of credit are the most commonly used means of guarantee.
a. Payment by Credit Transfer and Cheques

Payment by credit transfer or cheque is less common in Egyptian business. One reason is that these means of payment typically require payment in advance, prior to delivery of the goods. Payment in advance and down payments are uncommon in Egypt. Deliveries against cheques should only be carried out in cases of absolute confidence of the solvency of the business partner, since cheques do not represent any kind of guarantee of payment.

As was discussed in Section V (5) of this Guide, the transitional period for the application of the new Commercial Code rules on cheques was extended several times, but as of October 1, 2005, the provisions concerning cheques became effective. Nevertheless, business deliveries based on payments by cheques should be approached with caution.

b. Letters of Credit

In doing business in Egypt, letters of credit are the safest method of settling payments. It is best for exporters to agree on the detailed conditions of letters of credit with importers during contract negotiations. For this purpose, exporters may wish to seek support from their local bank. In any event, exporters should ensure that letters of credit would be recognized locally, without the need for further assistance from the importer. In addition, exporters should obtain another form of security that is very common in business, namely confirmation of the letters of credit by banks in their own country. Letters of credit may, by express agreement between the business partners, be governed by the “Standardized Guidelines and Customs of Documentary Credits” (ERA) of the International Chamber of Commerce in Paris (ICC).
In these cases, internationally common and binding standards apply. This usually simplifies potential legal disputes in connection with letters of credit.

The disadvantages of letters of credit are their relatively high cost. This is due to the fact that the bank issuing the letter of credit agrees to pay the beneficiary a specific sum of money under certain circumstances. Fees, so-called irrevocable fees, must be paid for the assumption of this obligation. Egyptian banks usually charge the issuer of the letter of credit a fee corresponding to 5% per annum of the nominal value. This is considered to be rather high by international standards.

c. Payment upon presentation of Documents

The delivery of goods based on payment against documents is usually restricted to goods of minor value. This is because, in the past, exporters have had bad experiences with this method of payment when trading with Egypt. One of the risks inherent in this form of payment is that importers may refuse to accept documents, which accordingly raises costs for exporters.

5. Currency Law

The Banking Law introduced new rules regulating foreign exchange transactions.

According to Article 111 of the Banking Law, individuals or legal entities may retain all the foreign currency that they possess. They also have the right to carry out any foreign exchange transactions, including inbound and outbound foreign
transfers and domestic dealings, provided the transactions take place through accredited banks permitted to deal in foreign exchange.

A new provision that has raised substantial concern in Egypt is Section 4 of Article 111 of the Banking Law. According to Section 4, the buying and selling of goods and services in Egypt must be in Egyptian Pounds, unless otherwise prescribed in an International Convention or law, and provided that this does not violate, *inter alia*, construction, service, or supply agreements with a foreign party. “Goods and Services”, as far as Article 111 is concerned, do not comprise securities, other monetary investments and the returns thereon.

Article 112 of the Banking Law provides that the exchange rate of the Egyptian Pound against foreign currency is determined by the interaction of supply and demand forces in the foreign exchange market.

Accredited banks may carry out all foreign exchange activities, including the acceptance of deposits, dealings, and inbound and outbound transfers, as well as investments and foreign currency holdings. The export and import of foreign currency notes and the export of foreign currency is restricted to accredited banks.

Penalties for the breach of the above rules and procedures include the suspension of the dealings of the contravening bank dealings in foreign exchange by the Central Bank for a period of up to one year.

The Central Bank grants currency exchange companies the required licenses to deal in foreign currency. It also determines the
rules for such dealings. If a company breaches any of these provisions or procedures, the Central Bank may suspend its license for a period of up to one year. If the breach reoccurs, the Central Bank may cancel the entity’s license and de-register the offender.

In principle, the capital of Egyptian companies must be paid up in Egyptian Pounds. However, companies established under the Investment Law may deposit their capital at a bank in foreign currency.

6. Anti Money-Laundering Law

Law No. 80 of 2002, as amended by Law No. 78 of 2003 (the “Anti Money-Laundering Law”), was enacted in a successful attempt to remove Egypt from the OECD’s blacklist of money-laundering havens drawn up by the Financial Action Task Force (FATF), an inter-governmental body for the development and promotion of policies to combat money-laundering.

The Anti Money-Laundering Law defines money laundering as:

\[
\text{any conduct involving the acquisition, holding, disposing of, managing, keeping, exchanging, depositing, guaranteeing, investing, transferring or conversion of funds, or tampering with their value, if such funds are the proceeds of any of the crimes stipulated under this law, provided that such conduct purports to conceal, disguise or alter the nature, source, location, ownership, or any interest therein, or change the true nature, or to prevent the discovery thereof or impede the identification of the}
\]
perpetrator of the crime the proceeds of which are these funds.

Laundered funds include proceeds of crimes relating to: (a) the planting, manufacturing, smuggling, or trafficking of narcotics or psychotropic substances and managing or arranging a location for its use against consideration; (b) terrorism or the financing of terrorism as provided for under the Penal Code or any other legislation; (c) the unlicensed importation, trading and manufacturing of weaponry, ammunition, and explosives; (d) money theft and usurpation; (e) fraud and breach of trust; (f) swindling and cheating; (g) caching of stolen goods and those obtained in connection with a felony or a misdemeanor; (h) receipt of monies in contravention of the provisions of Law No. 146 of 1988; (i) infringement of intellectual property rights (j) debauchery and prostitution; (k) unlawful trade in antiquities; (l) hazardous waste and materials; (m) homicide and injury; (n) non-payment of customs duties; (o) dealings in foreign currency in violation of the prescribed legal provisions; (p) illicit profits; and (q) crimes listed under Article 64 of the Capital Markets Law No. 95 of 1992.

Financial institutions must now report any suspicious financial transaction, as well as any attempts of its implementation, to government authorities and put in place “know your client” procedures, allowing them to ascertain and record the identification and legal status of their customers and beneficial owners. The law obliges institutions to keep their records for a minimum of five years from the date on which the transactions were effected or the accounts were closed. These documents must be made available to judicial authorities if requested. Financial
institutions also are prohibited from opening accounts or accepting funds of anonymous origin or under false or fictitious names.

XVII. Secured Finance

In the following, we give an outline of security rights which can be used to secure loan and other financial transactions. The law relating to the taking security is contained in the Civil Code and the Commercial Code as well as certain ancillary legislation. The security instruments are not all tailored for the requirements of modern secured transactions.

1. Real Estate

Lands and buildings erected on them are characterized as real estate. Movable property located on the real estate by, or on behalf of, its owner with the purpose of serving or exploiting the real estate is considered part of the real estate by reason of its intended use. The most common form of security granted on the real estate is mortgagees. Also, a specific type of possessory pledge over real estate (*Al Rahn al Heyazi*) is provided for.

a. Mortgage

A Mortgage is created by an authenticated mortgage contract, concluded between the owner of the real estate and a creditor. The real estate is pledged to secure the payment of the debt. In case of default by the debtor, the creditor obtains preference over creditors that are below him in priority as well as over ordinary creditors.
Thus, the secured creditor’s claim will have priority over the claims of unsecured creditors. As a banker would put it: the claims are “before trade”
To be enforceable against third parties, the mortgage contract must be recorded and entered in the Real Estate Registry for property in question.
A Mortgage entitles its holder to two rights, a preference right and a right of enforcement.
If the debtor fails to honor his debt, the Law of Civil and Commercial Procedures provides for proceedings for the selling of the real estate whereby secured creditors can enforce their rights. According to the Commercial Code, a person who has the benefit of a mortgage on a piece of real estate can enforce the mortgage even if the debtor is declared bankrupt.
In 2005 a new law of mortgage finance was introduced. It provided for a fast-track manner for foreclosing on the property held by the debtors.

b. Possessory Pledge

A possessory pledge is created by a contract by which a debtor undertakes, as a security for his debt, to hand over to the creditor or to a third person chosen by the parties, an object which is owned by the debtor. The creditor can retain the object pledged until repayment of the debt. Furthermore, the creditor can obtain payment of his claim out of the proceeds of sale of the object, no matter in whose hands these might be, in preference to unsecured creditors and to creditors ranking below him.
Enforcement procedures for a pledge are the same as those for a mortgage.
2. Tangible Movable Property

The Civil Code defines things which are fixed and cannot be moved without damage as immovables. All other things are considered to constitute movables.

a. Possessory Pledge

Possessory pledge is the most common form of security granted over movable property. A pledge over movable property is created by agreement. In order to enforce the pledge, the movable property must be in possession of the creditor whose debt is thereby secured. The ranking of the secured creditor is determined by the date of the pledge.

In the event of default by the debtor, the secured creditor can commence judicial proceedings to effect a judicial sale of the movable property through public auction. The secured creditor then can recover his debt from sale proceeds. In addition, the secured creditor can request a judicial transfer of the ownership of the property on the condition that the price of the pledged property is determined by an expert at the time of the sale.

As for ships and aircraft, they are considered by the Egyptian law to be of a mixed nature, that is both movable and immovable property. Thus, mortgages over ships and aircraft have to be registered in the special registries created for them.

As for creating a floating charge, the practice is not common in Egypt. A way around the requirement of possession of the pledged property is by creating a possessory pledge on assets in a warehouse, such as goods, and appointing either the debtor or a third party as a custodian on the pledged assets. In the case of damage or deterioration of the property pledged, criminal sanctions can also be invoked against the custodian.
3. Shares and Financial Instruments

a. Pledge of Shares

The trade law classifies the pledge of shares as a type of commercial pledge. Normally, a pledge of shares is created by a written agreement. However, writing is not a requirement under the law.

For pledged shares listed in the stock exchange, the pledge must be registered with the Misr Company for Clearance and Settlement, to be enforceable against third parties. In case of non-listed shares, the company issuing the shares must be notified. The pledge must then be recorded in the proper share registry held by the company.

b. Pledge of bonds

The pledge of debt instruments, such as bonds, is provided for in the Civil Code. The debtor must be notified of the pledge for the pledge to be effective against the debtor. For the pledge to be effective against third parties, the creditor must be in possession of the pledged debt instrument. The rank or priority of the pledge is determined by the date stated in the notification or acceptance of the pledge. A debt that cannot be assigned or attached cannot be pledged.

The pledge of bearer bonds is expressly provided for in the law. If there is no agreement otherwise, the pledgee is entitled to the interest payable on the pledged debt. The pledgee is also entitled to receive all periodic payments which are to be set off against expenses, interest and the principal amount of the debt secured by the pledge.
4. Claims and Receivables

a. Assignment
This is dealt with in Chapter III Section 16 above at Pages 32-33. However, we note in this context that it is permissible to assign future claims.

b. Pledge
Claims and rights can be pledged. A pledge of a debt is not enforceable against the debtor unless he is notified by it or if he has accepted it. A pledge of a debt is not enforceable against third parties unless the pledgee is in possession of the instrument of the pledged debt. The rank of the pledge is determined as of the fixed date of notification of the debtor or his acceptance.

5. Future Assets and Fungible Assets

a. Future Assets
The general rule is that security rights cannot be granted on future assets since at the time of conclusion of the security document, the asset is not owned by the person granting such security. By way of exception, a mortgage agreement of an asset not owned by the mortgagor becomes valid if it is ratified by the true owner of the property through an official deed. If such ratification does not occur, the mortgage becomes only valid as of the date the asset becomes the property of the mortgagor.

b. Fungible Assets
The Trade Law provides for security rights over fungible assets. The pledge remains valid even if the pledged fungible item perishes and is replaced by a new item of the same kind.
6. Enforcement and Insolvency

a. Enforcement Measures

In principle, the conditions of the underlying debt instrument defines the circumstances in which a creditor can enforce his security. The creditor must proceed under the law governing the security and before Egyptian courts, depending on the type of security it has and subject to any insolvency proceedings. The main enforcement mechanism is mandatory public sale of the secured asset whether it is real estate, movable property or financial instrument. The sale is requested through the courts by the creditor, pledgee or other secured parties. In addition, enforcement can also take place through the sale of the secured asset at its market rate or its price in the Stock Exchange, such sale being effected following an application by the creditor to the courts. Another possible mean of enforcement is through transfer of title of the secured asset to the creditor (pledgee or mortgagee). In case of real estate mortgage, the creditor or the debtor can agree, after a whole or part of the debt becomes due, to transfer the title of the real estate to the creditor.

b. Company Rescue or Reorganization

Outside insolvency procedures, there is no company rescue or reorganization procedures available in Egypt.

c. Voidable Transactions

According to Trade Law, mortgages and pledges can be deemed unenforceable against creditors if registered after the date on which payment by the debtor ceased and after 30 days from the creation of the mortgage or pledge.
d. Priorities

The order, in which creditors are paid on the borrower’s insolvency, assuming the security interests have been validly perfected, is as follows:

1. Statutory claims (such as tax or other government claims and expenses of insolvency proceedings)
2. Secured Creditors
3. Unsecured or ordinary creditors
4. Subordinated creditors.

If more than one creditor holds the same security interest over the same asset, priority is determined as follows:

Mortgage: Priority is determined according to the rank of the security interest. As the mortgage is required to be registered, preference is determined according to the date of registration of the mortgage contract. Creditors whose debt is secured by a mortgage are paid before unsecured creditors out of the proceeds of the sale of the mortgaged property.

Pledge: The rank of the secured creditor is determined by the date of the pledge agreement.

Assignment: In relation to third parties and multiple assignments of the same right, preference is given to the assignment that was first in time.

In case of retention of title, the Commercial Code provides that the retention of title clause shall not be enforceable against third parties except if the clause is written in a document with a fixed date which is prior to the right of third parties or enforcement procedures. However, under the Civil Code, a seller who retained title cannot recover the property sold from the assets of an insolvency.
7. Cross-border Issues

a. Restrictions on Granting Security to Foreign Lenders
In principle, there are no restrictions on the granting of security to foreign lenders. Ownership of all types of property is granted to foreigners except for real estate in certain areas, where either the prior approval of the competent authority is required or where there are only usufruct rights.

b. Exchange Controls
In Egypt, there are no exchange controls and accordingly there are no restrictions on payments to a foreign lender under a security document or loan agreement.

c. Foreign Law in Security Documents
In principle, parties to a security document can agree that it will be governed by a foreign law. Choice of law clauses in security documents will be recognized and enforced by Egyptian courts as long as public order is not infringed. In case of real estate, the law of the place of the real estate is the governing law (lex rei situs). Egyptian law applies in matters related to public policy and in cases where the nature of the legal relationship needs to be determined in order to ascertain the law applicable, if there is a conflict of laws. Egyptian law further applies to a foreign legal person carrying on its principal activities in Egypt. In cases of application of a foreign law, only the substantive provisions of that law apply, excluding private international law provisions.
XVIII. Tax Law

The Egyptian Parliament enacted a new tax reform on June 8, 2005, and the law became effective on July 1, 2005. Income Tax Law No. 91/2005 (the “New Tax Law”), repealed Law No. 157 (the “Old Tax Law”), which was issued in 1981 and modified in 1993. This tax reform was designed to stimulate the economy by increasing disposable income and reducing barriers to investment and production, while offering a “tax amnesty” to certain categories of entrepreneurs who were more likely to be exposed to the risk of prosecution for tax evasion.

One of the results of the New Tax Law was to reduce corporate taxes for all companies to a flat rate of 20% of net profits, as opposed to 40% under the Old Tax Law. However, this reduced tax rate is coupled with a strict tax collection mechanism.

1. Income Tax of Natural Persons

Total net income of resident and non-resident natural persons in respect of their income earned in Egypt is subject to income tax. The law distinguishes between the following types of income:

- Salaries and similar income;
- Commercial or industry activity, and
- Income from real estate.

Tax is due on the total net income in excess of five thousand pounds earned by a resident taxpayer during the year. The law provides for the following tax rates:
- First bracket: More than EGP 5,000 up to EGP 20,000 10%;
- Second bracket: More than EGP 20,000 up to EGP 40,000 15%;
- Third bracket: More than EGP 40,000 20%

Employers must deduct taxes from an employee’s wages and transfer it directly to the competent tax authorities. Payments made to non-residents are subject to 10% withholding tax. A natural person is deemed to be resident if he or she resides in Egypt for a period exceeding 183 days (whether successive or interrupted) during a calendar year.

2.. Income Tax of Legal Persons

Resident corporations (joint stock companies, limited liability companies, and partnerships limited by shares) are subject to tax on their worldwide income, while non-resident companies are taxed on income generated in Egypt only. Tax basis is the profit according to books of account determined on the accrual basis. Capital gains from sale of capital assets are principally taxed as ordinary income.

The general tax rate for companies is 20%. The tax rate is 40-55% for enterprises operating in the field of oil exploration and production.

Losses may be carried forward for 5 years. The tax system in Egypt does not allow any group taxation. Dividends paid by
Egyptian companies are not subject to tax. However, dividends, royalties, interest and capital gains remitted from outside Egypt will be taxed as ordinary income.

3. Sales Tax

Law No. 11/1991 regulates Egyptian sales tax. These taxes are levied on the sale of goods and certain services. Sales taxes on imports are payable in addition to customs duties.

The general rate of sales tax on goods is 10%. On services, it varies from 5% to 15%. The operations of foreign industrial enterprises working in Egypt also are subject to sales tax (Law No. 2/1997, amending Law No. 11/1991).

4. Stamp Duty

Law No. 11/1980 imposes stamp duties on a number of official documents and a number of import and export documents, contracts, and publications. The required stamps must be affixed to the documents. In the recent past Law No. 11/1980 was amended, so that the most important clauses were included in Law No. 143/2006 and Law No. 115/2008. The objectives of these amendments were to abrogate stamp duties on certain financial deeds or at least to reduce the applicable costs. The significance of this tax should not be underestimated, since in some cases the amount of tax is calculated on pro rata basis according to the value of the document.
5. Withholding Tax

Pursuant to Article 59 of the New Tax Law, taxes must be withheld on payments to private sector contractors and certain foreign consulting services. The maximum withholding rate is 5%. However, as stipulated by the Prime Minister Decree, the current withholding rate is 2.5%. The same applies to licence payments to foreign licensors. These are subject to a 20% withholding tax at the source pursuant to Article 56 of the New Tax Law. However, existing double taxation agreements may reduce this amount. Taxes at source are usually payable on a quarterly basis.

6. Free Zone Tax Exemption

Until 2008, any Free Zone Investment was able to benefit from a comprehensive tax exemption, which was guaranteed for the lifetime of the project. It came almost as a surprise that Law 114 of 2008 enacted on May 5, 2008, cancelled the tax exemption for specific industries detailed in the Law with immediate effect. It is obvious that this step will damage the trust of investors in the reliability of the Egyptian tax system.

The non-exempted industries comprise fertilizers, iron & steel, petroleum industries and the processing, liquefying and transport of natural gas.
7. Real Estate Tax

Taxation of income from real estate rent has been amended by the Real Estate Tax Law No. 196 of 2008. Further details are described in Chapter XIV (Acquisition of Real Estate by Foreigners).

8. Agreements for the Avoidance of Double Taxation

Egypt signed bilateral double taxation agreements ("DTA") with more than 50 countries including: Belgium, Cyprus, Germany, Finland, France, Greece, Great Britain, India, Iraq, Italy, Japan, Yugoslavia, Canada, Kuwait, Libya, Morocco, Norway, Austria, Romania, Sudan, South Korea, Sweden, Switzerland, Syria, Tunisia, Czech Republic, Turkey, Hungary, the United States, and the United Arab Emirates.

XIV IMPORTS AND CUSTOMS

The customs system is, and will likely continue to be, one of the most challenging problem areas of Egyptian law. Customs rules and regulations lack transparency and create considerable day-to-day problems in business transactions. Egyptian customs formalities also are protracted and internationally notorious for good reason.
1. Laws and Regulations

Law No. 66/1963 (the “Customs Law”) sets out the general provisions of Egyptian customs law. It contains basic rules and definitions and regulates the authority and procedures of the Customs Administration. Pursuant to Article 6 of this Law, custom tariffs are determined and amended by virtue of presidential decrees. The latter have been amended several times, the most recent of which being Decree No. 39 of 2007, issued on February 22, 2007.

Customs exemptions and privileges are regulated by Law No.186/1986, amended by Law No.71/1996, 7/1997, and 8/2005, and it’s Executive Regulations No. 861/2005. Some customs exemptions and privileges, which are important to foreign investors, are those granted concerning goods required by companies founded under the Investment Law. These privileges are directly governed by the Investment Law, No. 8/1997, as amended by Law No. 94/2005.

Ministerial Decrees No. 893 and No. 894 of 1996 regulate the import of goods that are processed in Egypt and re-exported. These decrees distinguish between the so-called "temporary release" system, under which all of the goods must be re-exported, and the "draw-back system," which allows importers to choose whether or not to re-export the goods.

2. Imports

All importers of goods and raw materials which are to be, or may be, used for trade must be registered with the Authority for Import and Export Control in order to obtain the necessary
licences. In principle, only Egyptian nationals or Egyptian companies that are majority-owned by Egyptians may become importers.

An exception to this principle is allowed under Article 13 of the Investment Law. According to this Article, all goods and raw materials necessary for the establishment, expansion, and operation of investment projects of companies founded under the Investment Law may be imported, irrespective of the nationality of their shareholders, and without the need for these companies to be registered in the Register of Importers.

3. Importers’ License

The right to import goods into Egypt is governed by Article 2 of Law No. 121/1982 (the “Importers’ Register Law”), which provides that individuals and businesses wishing to import goods into Egypt for commercial purposes must be registered in the Register of Importers. This Register is maintained by the Ministry for Economic Affairs and Foreign Trade.

The registration of a firm requires the following:

- The entity must be registered in the Commercial Register. If the capital of a partnership exceeds LE 20,000, the partnership must have been registered for at least one year.
- The entity’s head office must be in Egypt;
- The stated purpose of the business must include that of importing goods for the purpose of trade;
The paid up capital of a partnership must be at least LE 15,000. In the case of joint stock companies or limited liability companies, the corresponding minimum capital requirements apply;

- All shareholders, partners, and managers must be Egyptian nationals and must have held Egyptian nationality for at least 10 years; and

- Partners who are personally liable, as well as managers, must satisfy the same requirements as individuals in order to be registered i.e. (i) they must not have been convicted of a crime, especially offences involving import, export, and taxation, (ii) they may not hold appointments in government or the public sector; and (iii) they may not hold a political office.

A company wholly or partly owned by foreigners cannot therefore be registered in the Importers’ Register. The same applies to Egyptian limited liability companies with foreign managers.

Accordingly, in order to import goods for commercial purposes, any company that is not established under the Investment Law requires an Egyptian importer to import goods on its behalf, except in a few exceptional cases.

Thus, the following contractual agreements are used commonly in Egyptian import-export practice:

- **Joint Venture Agreements:** Within the framework of a joint venture agreement, the Egyptian partner often undertakes to act as an importer. In such cases, it is important to ensure that the
Egyptian partner fulfils the registration requirements of the Importers’ Register.

- **Third Party Importer**: The foreign subsidiary agrees with an Egyptian third party that the third party will act as importer of the goods for the account of the subsidiary.

### 4. Customs Privileges

According to Law No. 186/1986 on Tax Exemptions, and Presidential Decree No. 153/1986, certain industries are granted customs privileges. Moreover, Article 6 of Presidential Decree No. 153/1986 states that Egyptian assembly firms, which import materials or components and assemble end products in Egypt, may be entitled to custom privileges if they satisfy the following provisions.

Enterprises which import parts, components, and raw materials in order to transform them into end products, and which are monitored by customs authorities, may apply for a customs duty reduction of 20%. In such cases, the tariff applicable to the end product is used as the tariff for the imported goods. This tariff rate may be reduced by up to 20% depending on the percentage of "local content” in the finished product. In order to benefit from this customs duty reduction, an application for a production licence must be submitted to the General Authority of Industry and the customs authorities must be notified of the project. The customs authorities will then monitor the production at regular intervals.

Article 6 (c) of the Law on Tax Exemptions provides that companies operating in 'hi-tech' industries, may - with the
approval of the Ministry of Finance – engage in production and receive a customs reduction on the foreign components of up to 40% of the tariff rate for the end product. They are entitled to these customs reductions before the required percentage share of local components has been achieved and even before a manufacturing plant has been established or a production licence obtained.

Companies established under the Investment Law are governed by special rules. According to Article 23 of the Investment Law, all facilities, machines, commodities, and other products that are necessary to establish an investment project, are subject to a reduced tariff of 5%.

5. Exemptions from Customs

An important example of an exemption from customs duty is the so-called “temporary release,” which is a preliminary exemption. According to Ministerial Decree No. 894/1996, materials and components used in production for export may be imported without customs duty, provided the products manufactured with these materials and components are indeed re-exported. However, a bank guarantee, in the amount of the customs duties that otherwise would have been payable on the imported products, must be presented to the authorities. In exceptional cases, the competent administrative body may exempt the importer from the requirement of a bank guarantee.

The so-called “draw-back system” is of considerable importance to foreign producers and is similar to the temporary release. Under the “draw-back system,” customs duties paid on components and raw materials required for assembly are refunded when the end products are re-exported. Details are set out in Decree No. 893/1996.
The customs duties that are provided for in Presidential Decree No. 429/ 2000 are designed to simplify the structure of the customs duty classes by reducing the number of classes from 27 to 6, with rates of duty increasing from 2% to 40%. The higher rates imposed on cigarettes and alcoholic beverages were reduced with a view to limiting confusion and improving the services of the Customs Authority. The additional objectives of the Decree were:

- to harmonize the tariffs imposed on finished products and intermediary goods, as well as on primary goods and raw materials included in their production;

- to comply with the General Agreement for Tariffs and Trade (GATT);

- to comply with the International Tariff Schedules by eliminating several local taxes and customs duties;

- to impose a unified additional customs charge, pending the abolition of the charges currently imposed on importers (namely, 1% of the customs value as a service fee on all imports, and additional fees of 2% on the customs duty rates of 5% to 30%, with an additional fee of 3% on the higher rates);

- to provide for the establishment of a Higher Council for Customs Duty, chaired by the Minister of Finance, to carry out research and to assess and propose appropriate amendments to customs duties.
6. Dispute Resolution

The decree of the Minister of Finance No. 987/2000 of July 20, 2000, established an arbitration tribunal to deal with customs-related disputes. The decree provides for the reference of certain disputes relating to customs to an arbitration tribunal of first resort established for that purpose. The tribunal consists of a representative of the importer, a representative of the Customs Authority, and a delegate from the Ministry of Justice. If the arbitral award is not unanimous, an appeal may be filed with a Board of Arbitration of second resort, whose decision will be final.

XV. PRIVATE INTERNATIONAL LAW

Egypt’s International Private Law is codified in Articles 10 through 28 of the Egyptian Civil Code, and determines the law applicable to an international case.

As regards contractual obligations, Article 19 of the CC provides that the law applicable is the law of the common domicile of the parties and if no such common domicile exists, it determines that the law of the place where the contract was concluded shall apply. This principle remains applicable, unless the parties have explicitly agreed otherwise. The parties thus are invited to use this latter option to choose the proper law of the contract by agreeing on a choice of law clause. This is, because if the basic rule of international agreements applies, and the parties to the contract do not have a common domicile, the reference to the place where the contract was concluded often leads to arbitrary results.
With the freedom to choose a specific law, various options to organize a contractual relation arise. Only in exceptional cases it is inadmissible to choose a foreign law, for instance in the absence of any international aspect of the contractual relationship in question or in cases of the abuse of rights. Furthermore, certain types of contracts – such as technology transfer agreements – require the application of the relevant provisions of Egyptian law.

Non-contractual claims are ordinarily subject to the jurisdiction of the place where such claims were constituted. Therefore, if tort claims are competing with contractual claims, the latter may also be subject to Egyptian law – irrespective of any choice of law clause.

Rights in rem regarding moveable property or real estate are subject to the law of the place where they exist (*lex rei situi*) (Article 18 of the CC). Consequently, in cases of the shipment of goods to Egypt, the transfer of property or possible security interests are subject to Egyptian law, even though if the parties have agreed on another, foreign jurisdiction. It is noteworthy at this point that if the parties have agreed on the retention of title, such agreement would only be binding between the parties, but would not be considered bankruptcy-proof under Egyptian law.

The law applicable to a legal entity is determined by the seat of its effective headquarters (so-called “Real Seat Theory”). However, if a legal entity exercises its main activity in Egypt, Egyptian law is applicable (Article 11 (2) of the CC).

The application of the provisions of a foreign jurisdiction will only be admissible, if these provisions do not violate the Egyptian Ordre Public (Article 28 of the CC). Thus, the provisions of foreign legal systems will not be enforced, if they go against...
the Egyptian Ordre Public or ethics. Egyptian Ordre Public is, however, not precisely defined. However, on any view, Egyptian courts would include within the definition the mandatory provisions of Egyptian legislation and the fundamental principles, upon which these provisions are based. Judicial interpretation may be influenced by Islamic views.

XVI. CIVIL PROCEDURE LAW

1. Court Structure

In civil matters, the Egyptian court system follows the principle of two-stage appeal. This does not include the Court of Cassation, which has only the power of reviewing the application of the law but not the facts of the case.

The general (small claims court) court has jurisdiction over civil and commercial claims not exceeding LE 10,000. Judgments issued by the general courts are not subject to appeal if the amount in dispute is less than LE 2000.

The court of first instance has jurisdiction over all claims that do not fall within the jurisdiction of the general courts (i.e. the claim is greater than LE 10,000). Judgments issued by the courts of first instance are not subject to appeal if the amount in dispute does not exceed LE 10,000.

Finally, the Court of Appeal looks into challenges to decisions rendered by these lower courts.
The Court of Cassation is Egypt’s highest court and the court of last resort on questions of law. It is located in Cairo and has several divisions for criminal, civil, commercial, family and inheritance matters. The Court of Cassation was established to unify the law. Its review of decisions by the lower courts is limited to legal and procedural issues, not questions of fact.

According to Law No. 46/1972 regarding the Court Organization, the Minister of Justice has the power to establish courts of first instance for commercial and labour issues. Two such commercial courts were established in Cairo and Alexandria. They do not differ from other courts of first instance except for their specialization in commercial matters.

The problems inherent in the Egyptian judicial system are not usually attributable to the legal framework of the court’s organization and procedures, but rather to insufficient resources allocated to the courts and a shortage of judges. Egyptian judges suffer from a high caseload, an inefficient court administration, as well as a lack of adequate court facilities. One major reason for the many delays is the system adopted for the notification of judicial summonses and decisions. For example, court employees who serve judicial documents on parties are underpaid and frequently make their own decisions as to with which documents to deal. Owing to insufficient training of judges in specific areas, especially in commercial matters, decisions on complex issues are usually left to experts employed by the Ministry of Justice or the State Council. Since these experts are not bound by any time limits, it may take months, or even years, for them to render their expert opinions.
2. The Economic Courts Law

Of particular importance to the conduct of business in Egypt is the recent introduction of the Specialized Economic Courts System. On May 22, 2008, the Economic Courts Law was published in the Egyptian Gazette after Parliament had approved it a few days before. Unlike most laws which become effective upon their publication. The Economic Courts Law came into effect as of October 1st, 2008.

The adoption of the Economic Courts Law was the culmination of a long and protracted debate in Egypt within the legal, judicial and business circles as to whether or not the establishment such a court would lead to a tangible improvement in commercial dispute resolution. As outlined above, commercial litigation in Egypt has been a key source of complaint by local and foreign investors alike for the long time that it takes to resolve disputes and for the lack of specialization of the judiciary. The ultimate effect of the passing of this Law on business climate in Egypt, however, will not be felt immediately.

The new Economic Courts are not totally independent from the rest of the Egyptian judicial system. They are specialized courts that are integrated into the overall system. In fact, the Law states that one such "Court" will be established as part of each of Egypt's Courts of Appeal.

The subject matter jurisdiction of the Economic Courts is the most critical factor in their future success. The new Law determined the jurisdiction of the Economic Courts to include all criminal as well as civil/commercial disputes relating to the following:
• Company Law;
• Capital Markets Law;
• Investment Law;
• Financial Leasing Law;
• Mortgage Finance Law;
• Intellectual Property Protection Law;
• Banking Law;
• Investment Companies Law;
• Protection from Bankruptcy provisions in the Code of Commerce;
• Competition;
• Investor Protection Law;
• Communication Regulation Law; and
• Electronic Signature Law.

In addition, the criminal jurisdiction of the new Courts extends to another three laws: Insurance Supervision, Securities Depository, Anti-Dumping Laws and the provisions concerning Fraud in Bankruptcy in the Code of Commerce, whereas the civil/commercial jurisdiction extends to provisions in the Code of Commerce governing commercial representation, technology transfer agreements, banking operations, and bankruptcy.

Economic Courts—whether the lower court or appellate division— are composed of three judges. Each court will have a Summary Judge empowered to grant injunctions rapidly in cases of urgency. The real breakthrough to be anticipated from the new Law is its departure from a number of established norms in ordinary litigation procedures through "fast track procedures". The key elements in this alternative approach are the following:

• The Summary judge is obliged – whether or not he accepts the application for an injunction – to schedule the matter to
be reviewed by the competent Economic Court. This should ensure the speedy decisions on urgent matters.

- Economic Courts will have the jurisdiction to decide on all applications relating to the "execution" of substantive decisions. This is an important element because one of the key reasons for the delay in resolving commercial disputes in the ordinary system is that the unsuccessful party is able to obstruct the execution of the decision of the court, once issued, by numerous procedural challenges.

- The Law introduces the concept of requiring a judge to "prepare" the case before it is submitted to the Court. The process of "preparation" involves a hearing of the parties, completing the file, attempting an amicable resolution of the dispute and in general ensuring that once the file is submitted to the Court, will not be delayed as a result of the absence of any documents or any failure to complete any pre-trial procedures. The process of preparation may only take up to sixty days at most.

- The use of "experts" in the Egyptian judicial system is standard. However, those experts are employees of the Ministry of Justice. The new Law departs from this practice, by allowing the use of experts from the business community and outside experts. This is a crucial provision because it will allow the Courts to have access to professional experts in complex financial and commercial matters without being restricted to the traditional pool of Ministry employees.
3. The Recognition and Enforcement of Foreign Judgments


Under Egyptian law, the recognition of foreign judgments is effected by 'exequatur proceedings' before the court of first instance in the circuit in which the foreign judgment is to be enforced. Egypt has adopted the principle of reciprocity, according to which foreign judgments are recognized and enforced if the foreign law provides equivalent proceedings for the recognition and execution of Egyptian judgments.

A formal requirement for recognition and execution is that the foreign judgment must be a final judgment. Furthermore, it must not conflict with any judgment on the same matter already issued in Egypt. The latter need not be final, i.e., it could still be contested before the Court of Appeal. Finally, a foreign judgment is not enforceable if it contravenes Egyptian ordre public (See discussion of ordre public below).

A further formal requirement is that the foreign court must have had jurisdiction to decide the matter. If an Egyptian court, in applying the rules of Egyptian law, has exclusive jurisdiction to decide the case, the recognition of the foreign judgement will be denied; in addition, according to an – albeit contested – opinion in Egyptian jurisprudence the recognition of a foreign judgement can be denied if an Egyptian court would have had a competing jurisdiction over the matter.
A final requirement is that the parties were duly notified and represented before the court.

Even if the Egyptian Code of Civil Procedure does not require proceedings before the foreign courts to be reviewed, other than as just mentioned, Egyptian case law and legal literature endorse the application of a procedural *ordre public*, at least for basic rights related to the proceedings.

Apart from the examination of these formal requirements, the substance of the foreign judgment is subject only to a cursory review. The only substantive examination that may take place would concern only whether the material content of the foreign judgment breaches Egyptian *ordre public*.

It is extremely difficult to define precisely what is meant by *ordre public*, as the expression is not precisely defined in Egyptian law and may have a number of different meanings. It is often defined as rules aimed at ensuring public welfare, especially in its political, social, and economic aspects. However, it is also often said that the meaning of the expression *ordre public* varies according to the cultural background and the context in which it is used. Thus, there is no conclusive definition of an independent Egyptian or Arabic *ordre public*.

4. The Recognition and Enforcement of Foreign Arbitral Awards

Egypt is a member of the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards of June 10, 1958, and the Washington Convention (ICSID) of March 18, 1965. Both agreements play an important role in international
legal relations with Egypt, where arbitration clauses in accordance with the rules of the International Chamber of Commerce (ICC), the United Nations Commission on International Trade Law (UNCITRAL), or the Cairo Regional Arbitration Centres (based on UNCITRAL) are frequently used.

The new Egyptian Arbitration Law, No. 27/1994 (“Arbitration Law”), has further simplified the enforcement of foreign arbitration awards. Consequently, only the following requirements must be met in order to obtain an order for the execution of a foreign arbitral award:

- There must be no conflicting judgments from an Egyptian court in the same matter;
- There must be no violation of the Egyptian ordre public;
- The contracting parties must have stated clearly under the arbitration clause of the contract, or under a separate submission agreement, that the arbitration award is to be executed in accordance with the Egyptian Arbitration Law; and
- Formal service of the arbitral award must have been effected on the party against whom the award is to be enforced.

In general, the recognition and enforcement of foreign arbitral awards is dependant upon the subject matter of the award being capable of being settled by arbitration under Egyptian law. For instance, legal issues of family and inheritance law cannot be settled by arbitration. Pecuniary claims resulting from family and inheritance relations can be settled, however, by arbitration.
XVII. PUBLIC TENDER LAW

The Egyptian public sector procures goods through public tenders. Although, because of the economic reforms, the private sector is increasingly gaining in significance, a number of key industries remain in the hands of the public sector. The public sector will continue, therefore to play an important role as a contracting partner of foreign companies.


The law is divided into three main parts, each part governing, respectively, the procedures for: (1) the procurement of goods, construction activities, transportation, and consultation services; (2) the purchase and renting of real estate; and (3) the sale and lease of real estate and goods, including licences for soil exploitation.

1. The Procurement of Movable Goods and Services

The Law on Public Tenders provides two main types of procedure for awarding contracts for the procurement of movable goods and services: (a) public tenders; and (b) public negotiations. The procuring government agency has a choice between these two procedures. In certain circumstances, contracts may be awarded by limited or local tender or limited negotiations with a limited number of pre-selected enterprises. Direct or sole source contracts may be concluded in only a few exceptional cases. In any event,
the government body issuing a tender may not enter into private negotiations with individual parties who have submitted a tender, during a public tender.

Specific rules apply to government agencies affiliated with the Ministry of Defence and Ministry of Military Production. They are, largely, free to determine the procedures for a particular tender. In this respect, the Armament Law, No. 204/1957, allows these Ministries to grant exceptions to, and exemptions from, legal requirements.

a. Tender Procedures

A public tender is carried out by publishing the contract specifications in relevant journals or by inviting bidders to acquire the tender documents. These include an invitation addressed to bidders to submit their tenders. The tenders must be submitted in two sealed envelopes, one containing the technical proposal, and the other the commercial proposal, including the tender price.

A temporary security payment, fixed by the government agency issuing the tender, and which must not exceed 2% of the estimated contract value, must be attached to the tender. The security may be given in cash, by a bank guarantee payable on demand, or in exceptional cases, also by cheque. The tender guarantee must be returned promptly and automatically to the unsuccessful bidders.

When the period for submitting a bid has expired, a committee from the government agency, which issued the tender, is assigned to evaluate the bids and make an award. The law provides that, initially, only the envelope with the technical
proposal may be opened. The committee may only open the envelope with the financial proposal if the tender meets the technical specifications. The contract is awarded to the bidder with a compliant tender which has submitted the most favourable offer. If the bid of an Egyptian bidder, or of a bidder offering a high percentage of local content, does not exceed the price offered by the cheapest foreign bidder by more than 15%, the Egyptian bidder will be awarded the contract, provided both bids are of the same quality.

The successful tenderer must provide a tender guarantee of 5% of the contract value within 10 days of award (or 20 days, in the case of foreign tenderers). Extensions of the time limit are possible, with the approval of the procuring government agency.

In addition to these general tender procedures, the law permits limited tenders, as well as local tenders, in certain cases. Limited tenders, restricted to certain participants, are designed to guarantee quality. In order to participate in such a tender, bidders must have either the necessary technical know-how and abilities, or must possess defined financial resources. Local tenders are designed to promote local businesses by preferring bidders domiciled in a particular administrative district. A local tender procedure may only be used if the value of the intended contract does not exceed LE 200,000.

b. Negotiation Procedures

Public negotiation procedures differ from tender procedures in that the committee assigned to make a recommendation contacts the bidders directly. For this purpose, two public sessions take place. In the first session, the envelopes
with the technical specifications are opened initially. The bidders whose bids conform to the required specifications then are invited to a second session, in which the envelopes with the bid prices are opened. These serve as a basis for subsequent negotiations, which are held with the tenderers which have submitted technically compliant bids, or their delegates, in public sessions to reach a conclusion as to the most favorable technical and financial offer. Afterwards, the committee deliberates and submits its report, explaining what it views as the best offer to the procuring government agency. That government agency then chooses the successful bidder.

In the case of limited negotiations, the government agency issuing the tender invites, by registered mail, a selected circle of bidders to participate in the procedure. This procedure may be used if the subject matter of the contract can be provided by only a limited number of individuals. This may be due to specialized expertise being restricted to certain companies or, in some cases, due to confidentiality requirements related to national security.

Otherwise, the regulations on tender procedures apply *mutatis mutandis* to the negotiation procedures.

c. Direct Agreements

In cases of utmost urgency, where any delay in connection with tender or negotiation procedures would be unacceptable, the procuring government agency may conclude contracts with a company directly, without using any of the above-mentioned procedures. This requires the approval of the head of the procuring agency or, if the contract involves substantial amounts, the approval of the relevant Ministry.
2. The Sale and Lease of Public Goods and Real Estate

As part of the move for more privatisation, the Law on Public Tenders contains regulations on the sale or lease of public property, a novelty in Egyptian law. The law provides for a public auction, which may also be limited to local bidders, as the basic form for concluding a contract. The decision is made by a committee which must take into consideration all of the technical, financial, and legal aspects of the bids, which are examined separately. When examining the bids, the committee enters into negotiations with those bidders which have submitted compliant offers. This is a mixed procedure, in which the most favourable bid is awarded the contract. An auction is not required for the sale of perishable goods or in other cases of utmost urgency. An auction also is not required if an auction were previously attempted and: (a) no bids were received; (b) the reserve price was not reached; or (c) the minimum bid was under LE 50,000.

3. Operation Models (BOT, etc.)

In Egypt, operation models are increasing in popularity. The best known of the operation models is the so-called BOT (Build Operate Transfer), in which the government awards a private investor the right to build and operate an airport, a highway, a power station, etc. within the framework of a concession for a fixed period. At the end of the period, the investor must transfer the facility to the State. There are other varieties of this operation model, e.g., BOO (Build Own Operate), BOOT (Build Own Operate Transfer), and DBOT (Design Build Own Transfer).
The legal basis for the majority of these projects is provided in Articles 30 et. seq. of the Law on Public Tenders and a number of recent special laws. For example,

- Law No. 100/1996 amends Law No. 12/1976 and permits local and foreign investors to build and operate power stations and other utility companies for a maximum period of 99 years;

- Law No. 229/1996 allows local and foreign individuals and legal entities to build, operate and maintain toll motorways and highways;

- Law No. 3/1997 permits the private operation of airports and Law No. 22/1998 contains similar regulations for seaports;

- Law No. 18/1998 deals with the transformation of the state-owned telephone company ARENTO into a joint stock company; and

- Finally, Law No. 19/1998 regulates the foundation of regional electricity companies, which are to be gradually transferred to private investors and operators.

4. Contracts with the Public Sector

Each bidder is required to designate a representative for the public tender procedure. The question of whether it is compulsory to have an officially registered commercial agent or whether it is sufficient to appoint an Egyptian authorized for the individual bid remains a controversial issue. In any event, the appointment of an agent is forbidden in dealings with the Ministry of Defence.
In the past, other Ministries and governmental bodies frequently made exceptions to this requirement by issuing their own administrative regulations for tenders. Based on the wording of the new Public Tender Law, it appears that the issuance of such regulations is no longer permitted.

Also in the past, certain government agencies and Ministries were allowed to conclude specific contracts without additional review by the State Council (majlis al-dawla), provided that the State Council had already examined the content of those contracts. This legal situation changed with the new law and all contracts with a value exceeding LE 50,000 must now be submitted to the State Council for examination.

Unlike preceding laws, the Public Tender Law now expressly permits arbitration clauses in contracts with the public sector. This issue was highly controversial prior to the enactment of this law.

XVIII. PRIVATISATION

Since the early 1990’s, the Egyptian government has followed an ambitious privatisation policy. This policy is part of the structural adjustment program which the International Monetary Found (IMF) and the World Bank made a precondition of the award of further credits to the country in 1991. Public companies – the so-called "public sector" –monopolized vast areas of the economy in Egypt during Gamal Abdel Nasser's era. The economic liberalisation that took place during the Sadat era did little to relax their dominant position. Thus, the current privatisation of the public sector means a final farewell to a national capitalistic economic policy. It, therefore, appears that
Egypt's move towards the market economy can no longer be contained, especially since the Egyptian Constitutional Supreme Court expressly declared in 1997 that the privatisation measures were constitutional.

Law No. 203/1991 (the “Privatization Law”) regulates the restructuring and privatisation of the public sector and provides for a privatisation process in three stages.

First, all 314 public sector companies will be gradually converted into joint stock companies, the shares of which will be held by 16 public holding companies (Articles 1-2 Introductory Law to the Privatization Law).

Second, the public sector companies will be restructured according to business management principles (Articles 36-39 of the Privatization Law). In particular, employee remuneration may be revised in light of the company’s productivity (Article 43, Privatization Law and Article 5 of the Introductory Law to the Privatization Law).

Finally, the actual privatisation will take place by selling the shares of the public companies either on the stock exchange or directly to investors (Article 20, Privatization Law).

Sales of shares are often carried out by private placements or public subscription. Potential subscribers are usually given an opportunity to examine the legal and financial status of the company (“due diligence”) before subscribing to the shares.
XIX.. ENVIRONMENTAL LAW

The impact of climate change upon the various economic sectors in Egypt raised the awareness of the Egyptian legislator of this increasingly important issue. The result has been a wide range of measures on the domestic as well as on the global level.

As regards the international level, Egypt signed the United Nations Framework Convention on Climate Change (UNFCCC) in 1992, which was ratified by the Egyptian Parliament in December 1994. Eventually, Egypt ratified the Kyoto-Protocol in January 2005, after lengthy national debate.

Consequently, in addition to the ratification of the UNFCCC, a new Egyptian Environmental Protection Law (Law No. 4/1994, “Environmental Protection Law” or “EPL”) came into force on February 4, 1994. It replaced numerous individual laws and decrees that previously divided the responsibility of environmental protection among 17 Ministries and, thus, failed to provide adequate protection of the environment owing to the high degree of administrative fragmentation. The objective of the unified legislation is to set out new comprehensive guidelines and standards, which enable authorities to enforce effective penalties in cases of violation, to empower competent bodies with greater authority, and to establish binding rules for the examination of new investment projects in order to ensure their compatibility with environmental requirements.

The EPL is supplemented by its Executive Regulations (Decree No. 338/1995), which came into effect on March 1, 1995. The regulations supplement the individual statutory provisions,
provide maximum permissible limits for noise and other forms of pollution, and provide forms for monitoring procedures.

1. Laws and Executive Regulations

Article 1 of the EPL contains the essential definitions. Articles 2 - 13 of the EPL describe the organization and define the scope of duties of the new Egyptian Environmental Authority, followed by regulations on the establishment of an environmental fund, as well as a future system of initiatives for the promotion of entities and individuals protecting the environment. The core of Egypt’s environmental law consists of regulations for the protection of land, air, and water. These are followed by a voluminous catalogue of sanctions to be imposed if these regulations are violated.

2. The Environmental Authority

The Egyptian Environmental Affairs Agency (EEAA) was created by the Environmental Protection Law. The ELP replaced the old organization with a new organization bearing the same name. The old EEAA was first established in 1982 by Decree No. 631/1982 and reorganized in 1991. The new EEAA’s powers have been extended considerably. The function of the EEAA is to develop plans for the protection of the environment and to supervise their implementation, to establish and strengthen connections with national and international environmental protection organizations, to pave the way for Egypt’s accession to international environmental agreements, through the implementation of the necessary legal steps.
3. Environmental Protection Fund and Environmental Protection Initiatives

The EEAA established an environmental protection fund, which is financed by public funds, contributions, court fines, as well as other revenues of the EEAA. Out of this fund, money is provided, *inter alia*, to promote pilot projects in the area of environmental protection and environmental technology. Moreover, the EEAA has developed an additional system of incentives to raise and support public initiatives by promoting organizations, entities, and individuals implementing environmental protection projects.

4. Protection of Landscape and Soil from Pollution

The protection of Landscape and soil from pollution is stipulated in Articles 19 through 33 of the ELP.

In order to obtain a licence for a business facility, an applicant must submit a form with company data to the competent government agency. Based on EEAA’s guidelines, the government agency must then evaluate the foreseeable effect of the facility on the environment and draw up a report describing ways in which any hazardous environmental effects could be avoided. This report must be submitted to the EEAA, which must then state its position within 60 days. Any failure on the part of EEAA to comment within 60 days is deemed to constitute an approval according to Article 20 of the EPL. The applicant will receive the evaluation results from the approving body by registered letter. Any objection must be submitted in writing to a special committee of the Ministry of Environment within 30 days following receipt of the notification. This committee must decide on the objection within
60 days after the applicant has been heard by the relevant government agency and the EEAA. The committee is authorized to impose obligations and to grant exemptions.

The owner of an existing facility must record on a form provided the effects that his facility has on the environment. If there is any deviation from the approved standards, the EEAA must be notified. It is the EEAA’s duty to verify the owner’s records by conducting tests. If a violation of the law is established, the competent government agency will be notified. The facility owner, in such cases, must undertake corrective measures within 60 days. If the owner fails to comply, the EEAA is authorized to undertake the necessary corrective measures at the cost of the owner of the facility. The obligation to record the effects on the environment is also applicable in case of renovation or rebuilding of an existing facility.

The competent government agency must approve the production, disposal, and use of hazardous materials and waste. The competences of the body, as well as the prerequisites for granting approval, are regulated by the Executive Decree for Articles 25 et. seq. of the EPL. Additionally, some Egyptian Ministries drew up a catalogue of hazardous materials, one in each respective area, in cooperation with the Minister of Health and the EEAA. If not expressly authorized, the import and transport of such materials is prohibited. Exceptions apply, however, to the transportation of hazardous materials and waste by seaway and/or through the Suez Canal.
5. Protection of Air and Water

According to Article 34 et seq. of the EPL, official thresholds for pollutant emissions must not be exceeded. These are included in the Schedule to Executive Decree No. 338/1995. Enterprises must guarantee that they will observe the standards by using adequate filter devices. Furthermore, the Schedule contains thresholds for levels of noise pollution and pollutants at the workplace.

The regulations for the protection of water are essentially similar to those concerning the protection of land and air. Any environmental damage must be reported and the owner is required to eliminate the damage or to bear the costs of remediation. The law differentiates between pollution caused by ships (Articles 48-68 of the EPL) and pollution caused on land (Articles 69-75 of the EPL). The Schedule to the Executive Decree contains a list of substances that must not be released into water. There are special regulations concerning the transport of oil by sea (Articles 48-49 of the EPL).


Violations of environmental protection provisions are punishable with fines or even imprisonment (Articles 84-101 of the EPL). For the sake of simplification, the penal provisions may be summarized in five categories:

- A fine of up to LE 5,000 is imposed for minor violations, e.g., causing noise above the permitted threshold;
• A fine of up to LE 20,000 is imposed for the violation of legal provisions protecting air and water. Each day of pollution is deemed to constitute a separate violation;

• A fine of up to LE 300,000 may be imposed for a violation of the obligation to inform the authorities of environmental damage, for not having a requisite approval, or for simple cases of oil pollution;

• A fine of up to LE 500,000 is imposed for an incident involving a caused intentionally or by negligence;

• Imprisonment may be imposed if someone causes an incurable disease to a human being, or causes the death of a human being by violating an environmental protection regulation.

7. Renewable Energies

It is the declared objective of the Egyptian government to generate 20% of Egypt’s electricity through renewable energies by 2020. The natural prerequisites to reach this objective are excellent, for Egypt is located in the North-African sunbelt and is, therefore, able to generate solar energy (especially Concentrated Solar Power – “CSP”). Moreover, the wind conditions at the west cost of the Red Sea and in other parts of the country are among the best in the world, which thereby facilitate the generation of wind energy. The objective of the Egyptian government is, nonetheless, very ambitious: In the year 2005 still 86% of Egypt’s energy supply was generated through fossil fuels (76% gas and 10% oil). The seemingly high percentage of renewable energy of 14% is mainly generated through hydropower.
(namely the Aswan High Dam). The quota from other sources of renewable energies for the same period of time covered only 0.2% of the primary energy demand (solar, wind, biomass and small-scale hydropower projects).

It is noteworthy, that the promotion of renewable energies is also motivated by industrial policy considerations, since it is the declared objective of the Egyptian government to establish local production capacities. This approach provides opportunities for potential investors who aim to invest in the construction of facilities in the renewable energy sector in Egypt (such as construction, operation or maintenance).

Recently, Egypt has attempted to decrease its dependency on fossil fuels, not only through an increased use of renewable energies, but also by means of nuclear energy. After the Egyptian government had dropped a first nuclear energy program in the 1980s, it officially declared in September 2006 that it would relaunch a program for the peaceful usage of nuclear energy. The objective of the Egyptian nuclear program is the erection of the first Egyptian nuclear power plant within the next eight years for approximately EUR 974 Million in El Dabaa, which is located 160 kilometres from Alexandria. Egypt has already obtained offers for a nuclear cooperation from China and Kazakhstan as well as recently from Russia.

a. Institutional Framework

To facilitate the development of renewable energies, the Egyptian government has established the “New and Renewable Energy Authority” (NREA) in 1986.
The NREA has a wide mandate including but not limited to energy policies, such as research and development as well as training and public relations in the field of renewable energies, but also comprising the development and operation of renewable energy projects. NREA has issued, for instance, a comprehensive wind atlas that focuses especially on the north-west coast, the north-east coast, the Gulf of Suez and the relevant desert areas. Furthermore, NREA operates several state-owned wind parks in the Gulf of Suez and thereby significantly facilitates the development of renewable energies in Egypt as well as in the region as a whole.

b. The New Draft Electricity Law 2009

The new draft Electricity Law, which was passed to the Egyptian parliament in April 2009, introduces for the first time incentive measures for the generation of electricity from renewable energy sources (Articles 45 – 50 of the draft Electricity Law). The draft Electricity Law takes account of the fact that the absence of an appropriate framework was identified as a central obstacle for the development of renewable energies.

The draft law defines renewable energies widely as “non fossil fuel that can be used for the generation electricity” (Article 1 of the draft Electricity Law). This includes besides traditional renewable energies (such as wind, solar, biomass and “small” hydropower), also big hydropower plants, such as the Aswan High Dam. The reason for this wide definition might be that the very ambitious political aim of the Egyptian government to generate 20% of its energy supply by means of renewable energies by 2020, which could otherwise not be achieved.
The central aspect of the draft law is the opening of a predominantly public sector in Egypt to private investors. The draft law, however, does not curtail the role of NREA as a public developer and operator of wind and solar parks. Notwithstanding this, the draft law aims to facilitate private investment in the generation of electricity from renewable energy resources by introducing a new incentive structure. Therefore, it will not only be possible for NREA to develop and operate renewable energy projects in Egypt, but also for local and foreign private investors to do so.

The draft Electricity Law stipulates the following:

- The grid operator is obliged by law to connect renewable energy facilities to the grid (Article 46 of the draft Electricity Law).

- By means of a public tender concessions can be granted to built and operate renewable energy facilities on a BOT-basis (Article 45 para.1 of the draft Electricity Law). The first invitations to tender have already been announced for the year 2009. This mechanism is primarily focused on large wind park projects, which will be put out to tender internationally. It applies the regional practice to provide long-term Power Purchase Agreements (PPA) for specific projects, since the absence of a legally fixed feed in tariff (or any other incentives) renders it impossible to guarantee the necessary cash flow to finance the project without a long-term PPA.

- The grid operator may set a fixed feed in tariff for electricity generated from renewable energy facilities upon the approval of the Egyptian cabinet. This instrument will in
particular support small projects (up to 50 MW) that are built by local private developers and operators and for which a competitive tender process would lead to extraordinary and unnecessary expenses. It is expected that a feed in tariff will be fixed after the first experiences from the competitive bidding procedures regarding the price level become available.

- A fund for the development of the generation of energy from renewable sources with an own legal personality will be established. This fund will be financed from the national budget, income from investment and other subsidies (Articles 47 - 50 of the draft Electricity Law). The funds will in particular reimburse any additional cost to the grid operator incurred by purchasing green electricity for prices (PPA, feed in tariff), which are above those for conventionally produced electricity.

The draft Electricity Law, which will be enacted in late 2009, is a milestone for the promotion of renewable energies in Egypt and an important stimulus for the whole region. Many critical questions are, however, unanswered: this is in particular the case in relation to the contractual details of the Power Purchase Agreements and the Land Use Agreements, which will be both an integral part of the applicable tender documents.

It is noteworthy, that the competitive bidding, which is the most important instrument for international investors, is already regulated in the Egyptian BOT Law and hence a delay in the legislation will not have a negative effect on the timetable of an existing competitive bidding process.
8. CDM Projects

a. Clean Development Mechanism

The purpose of the *Clean Development Mechanism* (CDM) is to assist the state parties that are included in Annex I of the Kyoto Protocol (Industrialized States – “Annex I States”) to comply with their quantified emission limitation and reduction commitments. At the same time, it should support emerging and developing countries that are not included in Annex I (“not Annex I States) in achieving sustainable development and in contributing to the ultimate objectives of the *Kyoto Protocol* (Article 12 of the Kyoto Protocol).

In a CDM-Project, an investor ordinarily implements emission-reducing measures either by investing in an existing project or by developing a new project (such as wind or solar park). Emission reductions resulting from such project activity must be certified by an independent agency that issues the appropriate Certified Emission Reduction (CER). The investor may use the CERs to comply with his own emission reduction commitments or sell them to third parties, and thereby increase the profits of the project so certified. From the perspective of an Annex I State CDM is, therefore, an incentive to invest in climate friendly projects in developing and emerging countries. From the point of view of Egypt, a country that is not included in Annex I, the potential of CDM is to increase the revenues from climate friendly projects and thereby making the usage of environment-friendly technology lucrative: CDM will – as is intended – reduce the marginal costs for the commercial utilization of environment-friendly technology.
The future development of the CDM is difficult to predict. Although the United Nations Framework Convention on Climate Change (UNFCC) estimated the trade volume of the EU Emission Trading Scheme (EU ETS) at USD 41 Billion by 2012, the worldwide recession since 2008 led to a significant reduction in the price of CERs. Furthermore, the Kyoto Protocol will expire by 2012 and the future of the CDM is not secured after that date. Leading experts in the field, however, predict a long-term commitment on the part of the International Community for trading in CERs at the United Nations Climate Change Conference 2009 in Copenhagen. Furthermore, CDM legislation is expected in the USA and Australia that will complement the existing EU trade system. Against this background, a recovery in CER prices can be expected in the medium term, for – regardless of the future success of the CDM – a corresponding demand exists within the various regional trading systems.

Already in 1997, a “National Strategy Studies Program” was put in hand in Egypt, with the purpose of considering environmental and climate protection in the further development of the energy sector. This study was the basis for the national Egyptian CDM Strategy that was enacted in October 2002. The Strategy included the creation of the necessary administrative framework for CDM Projects as well as a portfolio of potential CDM Projects in Egypt.

Germany and Egypt have signed a Memorandum of Understanding (MoU) for cooperation in the field of CDM Projects in 2006. The objective of this MoU is not only to set a framework for business initiatives, but also to bring Egyptian and German project developers together. At the same time, the German KfW Bankengruppe and the Egyptian NREA concluded a
purchase agreement for CERs generated by the CDMWind-Park-Project in Zafarana.

These initiatives have created a completely positive environment for CDMs in Egypt. Apart from the purely eco-political value of the CDM, the Egyptian government hopes to achieve additional foreign investment, the modernization of important infrastructure as well as for the creation of new employment. Despite this favourable background, the CDM potential of Egypt is as yet nowhere near to being fully exploited.

b. Designated National Authority

Egypt established a “Designated National Authority” (DNA) under the supervision of the Ministry of Environment – as stipulated by the Kyoto Protocol – in the year 2005 (Decree No. 42/2005). The mandate of the DNA includes all CDM specific questions. The DNA consists of two related but distinct entities, the “Egyptian Council for CDM” (EC-CDM) and the “Egyptian Bureau for CDM” (EB-CDM).

The EC-CDM has 13 permanent members that represent the various stakeholders, such as public authorities, investors and non-governmental organizations. The Egyptian Minister for Environment is the chairman of the EC-CDM. On the national level, the EC-CDM is responsible for the implementation of the CDM. Its mandate includes, *inter alia*, the proposal of new legislative projects, the enactment of directives for the approval process, the establishment of criteria and procedures for the assessment of existing CDMProjects and the approval of new CDMProjects. On the international level, the EC-CDM is the
counterpart of the CDM Executive Board of the UNFCCC and contact point for all other CDM stakeholders. The members of the EC-CDM participate in international debates, with a particular focus on the negotiations of the UNFCCC and are obliged to report the results of such negotiations to the Egyptian government. The EC-CDM ordinarily convenes quarterly, but can be summoned on an ad hoc basis in cases of urgency.

The EB-CDM acts as the permanent secretariat of the EC-CDM and is under the direction of the Chairman of the EEAA. It consists of five representatives of the Ministry of Environment as well as respectively one representative of the Ministry of Energy and Electricity (MoEE) and the Ministry of Trade and Industry (MTI). The Mandate of the EB-CDM includes the monitoring of existing CDM Projects, the fostering of relations with the CDM Executive Board of the UNFCCC and the preparation for EC-CDM meetings.

c. Project Evaluation and Permit Procedure

The Egyptian DNA scrutinizes potential CDM Projects in a two-stage procedure to assure that the proposed project fulfills the two essential requirements of the UNFCCC. The UNFCCC demands at first reductions in emissions that are additional to any that would occur in the absence of the certified project activity (“Additionality”). Furthermore, the certified project activity must contribute to a sustainable development in Egypt (“Sustainable Development”).

As a first step, the EB-CDM compiles a report based on a Project Idea Note (PIN) that needs to be submitted by the project
developer for the proposed project. The report assesses the compliance of the proposed CDM-Project with international requirements and the national criteria of sustainable development. By reference to this report, the EB-CDM consults the EC-CDM, which is obliged to issue either a Note of Interest or a negative notification within two weeks after submission of the PIN. The purpose of this first evaluation is to signal to a potential investor as early as possible whether a specific project has a chance of being recognized as a CDM Project.

If an investor obtains a Note of Interest, he is requested to submit – by using the templates of the CDM Executive Board of the UNFCCC –, a detailed Project Design Document (PDD) which will be subject of detailed reassessment. An integral part of this assessment is an analysis of the sustainability of the proposed project which focuses on the advantages of the CDM Project for sustainable development in Egypt by reference to various environmental, social and economic criteria.

Four weeks after the submission of the PDD, the project developer should receive a notification from the EB-CDM. In case of a positive assessment, approval is granted, which confirms that Egypt voluntarily participates in the specific CDM-Project and that it contributes to sustainable development in Egypt. As a last step, the CDM Project will be registered with the CDM Executive Board of the UNFCCC.

At this point, 29 Egyptian CDM-Projects from various sectors are registered with the DNA. The potential for CDM Projects in Egypt has not been realised to any great extent. The reason for this is – aside from the price deterioration of CERs in the interim – the rather lengthy approval process in Egypt.
comparison with international standards), as well as a lack of familiarity with the procedures of the Kyoto Protocol.

XX. ELECTRONIC SIGNATURE LAW

1. Overview of the Law

The E-Signature Law, No. 15 of 2004 (the “E-Signature Law”) is considered the first legislative response to electronic transactions in Egypt. This legislation makes it is possible to use electronic means to issue, exchange, and store documents, thereby guaranteeing the credibility and enforceability of electronic transactions, and preserving the rights of those undertaking them. Until the enactment of this law, electronic text and electronic signatures had no probative value before the courts. The law consists of thirty articles and is designed to provide the legal environment required for transactions concluded with electronically signed documents. It is worth noting that the scope of the law includes civil, commercial, and governmental transactions. It assists in increasing the efficiency of administrative work, facilitates electronic commerce, and raises the standard of government services.

The law provides for the establishment of a public authority called the Information Technology Industry Development Authority, which will work towards managing, regulating, and standardizing electronic signatures, and issuing and renewing licenses for activities in the area of electronic transactions. The Authority also will vet agencies operating in the area of information technology and provide technical advice to such agencies, particularly with regard to settling disputes arising
between parties involved in electronic signature activities and electronic transactions. The remaining articles of the E-Signature Law include the basis for proving the authenticity of electronic signatures and electronic certificates, as well as the technical and regulatory specifications to be defined by its implementing regulations.

2. Main Features of the Law

The main features of the E-Signature Law may be summarized as follows:

- It gives electronic signatures and electronic text, in the areas of civil, commercial, and governmental transactions, the same probative value as those established for ordinary signatures and texts in the Law of Evidence in Civil and Commercial Matters;

- It establishes the so-called electronic document, defines it, and gives it the same authority as written documents. It also permits it to be considered as a customary or official electronic document according to the understanding of official and customary documents in the Law of Evidence in Civil and Commercial Matters;

- It establishes the Information Technology Industry Development Authority as a public legal entity subordinate to the Minister of Telecommunications and Information. This Authority is mandated primarily to issue the licenses required to engage in activities relating to electronic signature services
and other activities in the area of electronic transactions and information technology. The E-Signature Law also gives the Authority the power to manage and regulate the electronic transactions sector in general, to monitor those licensed to operate in that sector, and to take the necessary action to guarantee the viability of that sector in accordance with public interest and relevant public policy;

- It requires agencies that provide electronic certification or electronic signature services to obtain the licenses required for this activity from the Information Technology Industry Development Authority, ensuring the confidence and regulation required to guarantee the authenticity of electronic transactions;

- It defines general principles and conditions for the regulation of electronic signatures, leaving the technical details to be set out in its implementing regulations. This is because the minute technical aspects of regulations are difficult to include in the main body of the law and because this allows the amendment of those regulations whenever required, since they will be subject to change as a result of continued rapid development in the area of information and telecommunications technology; and

- It addresses some of the offences committed in the field of electronic transactions, in particular regarding electronic signatures, electronic
documents, and related matters. This is for the purpose of public and private deterrence, to build confidence in electronic signature and electronic documents, and to encourage their use without the fear of criminal activity that may result in the destruction of electronic transactions in general.

3. Major areas of application

The major areas of application of this law are:

- **Electronic government**: including governmental administrative transactions and services offered to citizens and services in general, including licenses and the services offered by tax, customs, and civil affairs authorities. It allows applications to be submitted to these entities using electronic documents issued by the entities and electronically signed by public officials, thus giving them the status of official documents. The goal is to increase the efficiency of administrative work and raise the standard of performance of government services.

- **Electronic commercial transactions**: comprising all transactions of a commercial nature. These include: (i) sales of goods agreements and other transactions; (b) export and import arrangements; (c) the booking of travel tickets and hotels; and (d) various kinds of banking transactions, all of which can be undertaken through signed electronically documents.
• Electronic civil transactions (non commercial): include every transaction of a civil nature. Legal and secure electronic signatures and documents encourage private individuals not engaged in commerce to interact with each other and with those engaged in commerce via telecommunication and information networks, including the Internet.

Overall, this law is an important step into the area of worldwide electronic commerce.
XXI. ANNEX 1: Public Funding and Public Financial Assistance

1. German Federal Government and States

In the light of a financial commitment amounting to an estimated EUR 5.5 billion since 1963, Egypt must be regarded as a preferred partner for German development cooperation. Germany is, as a result, after the USA, the World Bank, the European Union and Japan, the most important development partner of Egypt. In June 2008, the German Federal Government promised Egypt a new financial commitment comprising EUR 187 million for the following two years. The Egyptian and the German government have agreed that the focus of their bilateral cooperation shall be on water economy, renewable energies, energy efficiency and climate change. Consequently, there exist various instruments of public funding, which may of particular interest to German medium-sized businesses.

a. Hermes Cover

Federal export credit guarantees, the so-called Hermes Cover, protect German enterprises from the risks of non-payment in export transactions. The German Federal Government is responsible for the budget of this financial promotion instrument. It has, however, mandated the management of the export credit guarantee scheme to two private companies – PricewaterhouseCoopers AG and Euler Hermes.
Kreditversicherungs AG – the latter being responsible for export credit guarantees. For credit transactions with Egypt, covering funds amounting to EUR 200 Million have been established. As a result of the recent positive economic development and the continuing implementation of reforms, a policy of dispensing with security was recently introduced in relation to Egypt. It is thus no longer necessary to provide bank securities for businesses with medium- or long-term credit periods to obtain a Hermes Cover, provided a strict credit assessment has been implemented.

b. Direct Investment and other Warranties

The German Federal Government supports direct investment by the German economy in emerging and developing countries and thus in Egypt, by insuring against political risks and thereby providing long-term protection to companies investing abroad. Since the introduction of the investment guarantees, the German Federal Government issued guarantees with an overall volume of EUR 53 billion. Investment guarantees are granted upon application. The following requirements must be fulfilled for a company to be granted an investment guarantee: the applicant company must be domiciled in Germany and it must be a new direct investment in an economically feasible and sound project that contributes to the host country development and has a positive effect on Germany. Furthermore, the investment must enjoy sufficient legal protection in the host country.

Investment guarantees may also be combined with financing loans or untied loan guarantees to cover political risks. The inclusion of economic risks is restricted and possible in exceptional cases only. The national point of contact of the
German Federal Government for investment guarantees is the PricewaterhouseCoopers AG.

c. German Investitions- und Entwicklungsgesellschaft

The German “Deutsche Investitions- und Entwicklungsgesellschaft” (DEG) is a federally owned financing and consulting institution (under the umbrella of “KfW Bankengruppe für Wiederaufbau”). The mandate of the DEG is to support certain countries (for instance countries in Africa and Asia) in implementing a market-orientated economy. This objective is tackled by co-financing German subsidiary companies abroad as well as through joint-ventures of German and local companies. It can be implemented by way of the establishment of new companies as well as by the transfer/ modification of the shareholding structure in an existing entity. Furthermore, the DEG finances local companies with business relations to Germany and offers a wide range of consulting services.

The DEG has been active in Egypt since 1978. Its' present portfolio in Egypt amounts to EUR 59 million, which is used to support projects in the various sectors, such as agricultural, construction, chemicals and petrochemicals, manufacturing and assembly and last but not least: in the financial sector as well as in the field of renewable energy. The DEG primarily offers long-term loans and equity capital. The key characteristics are:

- long-term nature of the capital provided;
- project specific financing;
- collateralization of loans by the assets of the investing company abroad, and
d. Public Private Partnership

The Public Private Partnership Program (PPP) of the Federal German Ministry for Economic Co-operation and Development is operated by the DEG and combines private sector goals with a commitment to development. The Program is directed to German and other European Companies, with a long-term corporate commitment to the target country. A PPP Project must be justifiable from both the developmental and economic points of view, it must not be realized without a public contribution and must not yet have been commenced. Up to EUR 200,000 can be provided per project under the PPP Program. The company has to bear 50% of the project cost and is further responsible for the realization of the project, whilst the DEG assists the company in all phases of the PPP Project with advice.

e. Kreditanstalt für Wiederaufbau

The purpose of the Kreditanstalt für Wiederaufbau (KfW) offers financial services on behalf of the German Federal Government under the supervision of German Ministry of Economics. The main task is the promotion of the interests of small and medium-sized companies by providing loans at reduced rates of interest (“KfW-MediumSized Businesses Programme”). Applications may be submitted by German companies and their foreign subsidiaries as well as by Joint Ventures with a German participation with an annual turnover amounting to a maximum of EUR 500 million. In addition, German self-employed persons
are entitled to apply for KfW funding, their credits need, however, to be backed by normal bank securities. At present, projects in the field of water management and environment protection are considered to be especially attractive.

Cooperation between Egypt and the KfW has a long-standing tradition. The first projects in Egypt were funded as long ago as 1962. Moreover, one of the first foreign branches of KfW was opened in Egypt in 1998. Overall, the KfW has funded projects in Egypt amounting to approximately EUR 3.58 billion.

2. European Investment Bank

The European Investment Bank (EIB) grants long-term capital funding for projects in the framework of the EU development cooperation policies. Since the start of its activities in Egypt in 1978, the EIB has provided financing of more than EUR 3.9 billion. The investment volume of the EIB increased, however, significantly after the establishment of the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) in 2002 (almost EUR 7.3 billion of financing in the Mediterranean countries between 2002 and 2007). EIB financing in Egypt is spread amongst the key sectors of energy (EUR 2.1 billion), environment (EUR 315 million), transport (EUR 400 million), small and medium-sized enterprises (EUR 260 million) and private equity (EUR 111 million). To ensure coordination with local authorities and to optimize project monitoring, the EIB opened its first office outside the EU in Cairo in 2002. Application for funding may be filed by private or public as well as by private-public companies and entities. The EIB ordinarily requires, as
security for any funding, a bond from the state in which a project is to be realized.

3. World Bank Group

The World Bank Group (International Bank for Reconstruction and Development, IBRD) including the International Development Association (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) provides annually comprehensive credit and investment programs for the promotion of economic and social progress as well as for the increase of productivity in developing countries.

4. Other Programs

The Commodity Import Program (CIP) of the USA, which grants at least USD 200 million of financial support for the import of US products into Egypt, can be of interest to European Companies with Egyptian subsidiaries. The program is directed solely to Egyptian private Companies. Imports are financed starting from a minimum volume as of USD 10,000. The CIP provides for credit periods up to 8 years and amortization as well as interest exemptions of up to 36 months. Similar programs have been established by other countries (for instance, Italy), though the financial scope is considerably smaller.
XXII. ANNEX 2: Establishment of a limited liability company under law no. 159/1981

1. Documents Required

a) A power of attorney issued by each of the founders. The power of attorney must be notarized and legalized up to the level of the Egyptian Consulate or Embassy abroad and include the authority to incorporate companies and represent the shareholders (entity or individual) before government bodies. These include, in particular, the Companies Department, the Department of Real Estate Authentication, the Capital Market Authority, the Investment Authority, the Commercial Register, the Ministry of Manpower, the Government Press, the Chamber of Commerce, the Tax Department and Notaries Public. The power of attorney should also confer the power to execute the by-laws, Articles of Association or statutes and any amendments thereto on behalf of the shareholders.

b) Copies of the shareholders’ passports if they are individuals. If they are legal entities, extracts of the commercial registers of the founding shareholders are necessary which need to be duly notarized and legalized up to the level of the Egyptian Consulate or Embassy with copies of the passports of their representatives. However, in some cases it may be sufficient to submit a copy of the statutes of the legal entity.

c) A resolution of every founder (in case of a legal entity) authorising the establishment of the limited liability company (only required in individual cases), which needs to be duly
notarized and legalized up to the level of the Egyptian Consulate or Embassy abroad.

d) A certificate issued by a bank authorized by the Central Bank of Egypt, evidencing the deposit of the necessary initial capital in a blocked account in the name of the company under incorporation.

e) For the Egyptian company’s premises a deed of ownership or a lease agreement with its date verified by the competent Notary Public in Egypt.

f) An executed copy of the Articles of Association.

g) A full copy of the identity card or passport of the managers of limited liability companies. It is should be noted that at least one of the managers must be an Egyptian citizen, but the number foreign managers is not limited.

h) A certificate issued by an auditor accepting his appointment as the company’s auditor.

2. Formation Procedures

a) The model statutes are purchased from the Companies Department and completed by the founders.

b) A certificate of the Commercial Register must be obtained stating that there is no confusing similarity between the company’s name and the name of any other registered company.
c) The signature of the founders or their representatives on Statutes must be notarized.

d) A lawyer must sign the statutes of the company and his signature must be authenticated by the lawyers syndicate.

e) The Companies’ Department must be notified of the establishment of the company. For this purpose, all above-mentioned documents must be submitted. A corresponding confirmation must be obtained from the Companies’ Department.

f) The Company must be registered in the Commercial Registry.

g) The statutes must be published in the Companies’ Gazette.

h) A tax card must be applied for.

i) The business must be registered with the competent Chamber of Commerce.

j) The Companies’ Department may, within 15 days of notification of the company's establishment, object to its formation for one or more of the following reasons:

- a deviation from the model statutes or Articles of Association, which is in conflict with the mandatory provisions of Egyptian law, or the inclusion of unlawful provisions;
- the objects of the company contravene the law or public order; and/or
- any of the shareholders does not have the required capacity to establish the company.
The shareholders must then either remedy the defect objected to, or challenge the objection within 15 days.

3. Approximate Establishment Costs in LE

<table>
<thead>
<tr>
<th>Item</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legalization by the Ministry of Foreign Affairs, per document</td>
<td>LE 25.00</td>
</tr>
<tr>
<td>Model Statutes</td>
<td>LE 21.00</td>
</tr>
<tr>
<td>Fees of the Lawyers Bar Association:</td>
<td>0.2% of the capital of the company (max. LE 5,000.00 and min. of LE 100.00), in addition to LE 20.00 as a duty to be paid to the Egyptian Bar Association.</td>
</tr>
<tr>
<td>Legalization of the lease agreement</td>
<td>LE 50.00</td>
</tr>
<tr>
<td>Fees for services rendered by the Companies’ Department. Applied only for companies established under the Companies’ Law.</td>
<td>0.1% of the capital, maximum of LE 10,000.00 and minimum of LE 1,000.00</td>
</tr>
</tbody>
</table>
| Traders’ Association Fees                                           | LE 125.00 if the capital of the company is less than or equal to LE 500,000.00. If the
capital exceeds such amount the fees shall be LE 250.00

<table>
<thead>
<tr>
<th>Description</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stamp Duties</td>
<td>LE 300.00</td>
</tr>
<tr>
<td>Fees of the Chamber of Commerce</td>
<td>LE 45.00</td>
</tr>
<tr>
<td>Fees of the Commercial Register</td>
<td>LE 90.00</td>
</tr>
<tr>
<td>Publication in the Companies’ Gazette</td>
<td>LE 1800.00</td>
</tr>
<tr>
<td>Books of the Company (six books)</td>
<td>LE 200.00,</td>
</tr>
<tr>
<td>Photocopying costs</td>
<td>LE 100.00</td>
</tr>
<tr>
<td>Translation costs per page</td>
<td>LE 60.00</td>
</tr>
</tbody>
</table>
### 4. Model Statutes of Limited Liability Company

**Articles of Association of**

[ ],

**A Limited Liability Company JHG**

It is on this [__] day of [__] 2010, this contract is entered into by and between:

<table>
<thead>
<tr>
<th>Name</th>
<th>Nationality</th>
<th>Profession</th>
<th>Date of Birth</th>
<th>ID</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Preamble

تم إبرام هذا العقد بالقاهرة في يوم [__] الموافق [__] بين كل من :-

<table>
<thead>
<tr>
<th>اسم</th>
<th>الجنسية</th>
<th>المهنة</th>
<th>تأريخ الميلاد</th>
<th>إشات الشخصية</th>
<th>محل الإقامة</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

© AMERELLER LEGAL CONSULTANTS 2010
The parties signing this contract acknowledge that they have full legal capacity necessary to establish the Company and that there have been no criminal convictions against them related to dishonesty and no penalties against them provided for in Articles 89, 162, 163 and 164 of Law No. 159 of 1981 during the five year period prior to the submission of the request to establish the Company (unless redeemed thereafter) and that they do not work with the government, the Public Sector or the Public Business Sector.

Further, the parties have agreed to establish an Egyptian Limited Liability Company, with the permission of the Government of Egypt, in accordance with the provisions of the applicable laws and the Companies Law No. 159 of 1981 and its Executive Regulations and these Articles of Association. They also acknowledge that they have abided by all rules provided for in the laws governing the establishment of this Company according to the following:

<table>
<thead>
<tr>
<th>Article 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>The name of the Company shall be [ ], a limited liability company.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>The object of the Company shall be [ ] in the [ ].</td>
</tr>
</tbody>
</table>

© Amereller Legal Consultants 2010
<table>
<thead>
<tr>
<th>Article 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>The duration of the Company is twenty five (25) years, commencing from the date of its registration in the Commercial Register. This duration may be extended or reduced according to the conditions set forth in these Articles of Association and the Companies Law No. 159/1981, and its Executive Regulations.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>مادة (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>مدة الشركة هي 25 سنة تبدأ اعتباراً من تاريخ اكتسابها الشخصية الاعتبارية قابلة للإضافة أو التقصير بعد أخذ الإجراءات اللازمة طبقاً لأحكام هذا العقد وأحكام قانون الشركات رقم 159 لسنة 1981 ولائحته التنفيذية.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>The head office of the Company and its legal domicile shall be situated in [ ], Egypt.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>مادة (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>يكون مركز الشركة الرئيسي بمدينة[ ] محافظة [ ]، ويكون موقع مزاولة النشاط في [ ] بجمهورية مصر العربية.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The activities of the Company may take place in</th>
</tr>
</thead>
<tbody>
<tr>
<td>ويجوز لمديري الشركة أن يقرروا نقل المركز الرئيسي إلى أية جهة أخرى في نفس</td>
</tr>
</tbody>
</table>
the entire Arab Republic of Egypt, with the exception of North and South Sinai, as well as East Qantara, where the prior approval of the Authority [the General Authority for Investment] shall be required. The Managers of the Company may decide to move the head office within the same city and may also decide to establish branches or agencies of the Company in Egypt or abroad. Further, the Company has the right to move its head office to any other city in Egypt upon the approval only of the Extraordinary General Assembly.

**Article 5**

The Company’s capital has been determined to be LE [__] ([__] Egyptian Pounds) distributed among [__] shares, each of a par value of LE 100 (one hundred Egyptian Pounds). These shares are distributed among the Partners as follows:

<table>
<thead>
<tr>
<th>Name &amp; Nationality</th>
<th>No. of Cash Shares</th>
<th>Value in EGP</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

المدينة، كما يجوز لهم أيضا أن يقرروا انشاء فروع أو وكالات للشركة في داخل جمهورية مصر العربية أو خارجها، وللشركة أن تقرر نقل المركز الرئيسي لها إلى أية مدينة أخرى داخل جمهورية مصر العربية شريطة أن يكون ذلك بموافقة الجمعية العامة غير العادلة للشركاء فيما عدا محافظتي شمال وجنوب سيناء والقاهرة شرق فانز موافقة الهيئة مسبقاً.

ححد رأسمال الشركة بمبلغ [__] جنيه مصري، موزعاً إلى [__] حصة قيمة كل منها [__] جنيه مصري، منها عدد [__] حصة عينة وعدد [__] حصة نقدية في، وقد تم توزيع هذه الحصص بين الشركاء على الوجه الآتي:

<table>
<thead>
<tr>
<th>اسم صاحب الحصة والجنسية</th>
<th>الجنسية</th>
<th>حصة بال($)</th>
<th>حصة بالبنك</th>
<th>عد الحصة النقدية</th>
<th>العد الحصة العينية</th>
<th>عدد الحصة المشاركه</th>
<th>العد الحصة المشاركه</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>الإجمالى</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

© AMERELLER LEGAL CONSULTANTS 2010
The percentage of Egyptian participation in the capital is [____] % while the percentage of foreign participation in the capital is [____] %. The Company’s capital has been deposited at the [____] Bank, which is authorized to receive general subscriptions by virtue of the attached certificate.  

<table>
<thead>
<tr>
<th>Article 6</th>
<th>مادة (6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All shares give equal rights to their holders in dividends and distribution of the Company’s assets upon liquidation, each according to their percentage of subscription. Partners will not be liable for more than the value of their shares.</td>
<td>تخول الحصص جميع الشركاء حقوقاً متساوية في الحصول على الأرباح و في اقسام موجودات الشركة عند التصفية، كل منهم بقيمة حصصه في رأس المال ولا يلزم الشركاء إلا في حدود قيمة حصصهم.</td>
</tr>
</tbody>
</table>

| All rights and obligations of a share shall remain attached thereto regardless of any change of title. Therefore, the ownership of a share shall result in the acceptance of this provision of these Articles of Association and the decisions of the General Assembly adopted according to the provisions of Law No. 159 of 1981 and its Executive Regulations. | والحقوق والالتزامات المتعلقة بالحصص تتبعها في أيدي كل من تولى إليه ملكيتها ويرتبط حتماً على ملكية الحصص قبول أحكام هذا العقد وقرارات جمعيتها العامة الصادرة طبقاً لأحكام القانون رقم 159 لسنة 1981 ولاحتبه التنفيذية وأحكام هذا العقد. |

<table>
<thead>
<tr>
<th>Article 7</th>
<th>مادة (7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The capital may be increased, once or several</td>
<td>يجوز زيادة رأس مال الشركة على دفعة واحدة أو أكثر سواء بإصدار حصص</td>
</tr>
</tbody>
</table>
times, either by issuing new shares or by converting the reserves into shares, by virtue of a decision adopted by the Extraordinary General Assembly and according to the provisions of the Companies Law No. 159 for the year 1981 and its Executive Regulations.

In the event of a new issue of cash shares, the existing partners shall have priority for subscribing thereto in proportion to their existing shareholding. The right shall be applied in accordance with and subject to the conditions set forth by the management, unless otherwise decided by the Extraordinary General Assembly.

### Article 8

<table>
<thead>
<tr>
<th>مادة (8)</th>
</tr>
</thead>
</table>

The Extraordinary General Assembly shall have the right to decide to reduce the capital for any serious reason, provided that it shall not be reduced to less than the minimum set forth in the Executive Regulations of Law No. 159 of 1981. Reduction shall take place in the manner deemed fit by the Assembly, either by means of a reduction in the number of shares, the redemption of some shares, or by affecting a reduction in the face value of the shares, provided that the face value of each share shall not be less than the equivalent of LE 100.

للجمعية العامة غير العادية أن تقرر تخفيض رأس مال الشركة عند قيام أسباب جديدة تدعو للتضخيم وعلى ألا يقل عن الحد الأدنى لرأس المال المحدد بالláئحة التنفيذية للقانون رقم 159 لسنة 1981. ويكون التخفيض بالطريقة التي تراها الجمعية العامة سواء عن طريق إنقاص عدد الحصص أو استرداد بعضها، أو تخفيض القيمة الاسمية للحصة شريطة أن لا تقل القيمة الاسمية للحصة عن مائة جنيه.
**Article 9**

<table>
<thead>
<tr>
<th>مادة (9)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares may be transferred between Partners, or between Partners and other parties, by virtue of an informal deed. Such transfer or disposal must be recorded in the register kept for that purpose and provided for in Article 10 of these Articles of Association.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>مادة (9)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ويجب على من يعتزم بيع حصصه أو بعضها لغير أن يقوم بإخطار إدارة الشركة بذلك بموجب خطاب موصى عليه مصوح بموجب الوصول أو باليد مقابل إيسال يتضمن الاسم الكامل للمتعاون إليه وجوسيته وسنه ومهنته ومحل إقامته وعدد الحصص المتعاون عنها وشروط البيع ، ثم تقوم إدارة الشركة بإخطار باقي الشركاء خلال الثلاثة أيام التالية بموجب خطاب موصى عليه مصوح بموجب الوصول أو باليد مقابل إيسال وباقي الشركاء خلال شهر واحد من تاريخ إخطار المتعاون لإدارة الشركةحق في استرداد الحصص محل التنازل بالشروط ذاتها ولا يسقط هذا الحق إلا بعد تكشف الحكم. وإذا استعمل حق الاسترداد أكثر من شريك قسمت الحصص المباعة بينهم بنسبة حصص كل منهم في رأس مال الشركة.</td>
</tr>
</tbody>
</table>

*Any Partner intending to sell shares must notify the Company of that Partner’s intention by registered letter or hand delivery against receipt, giving the full name, nationality, age, occupation, and address of the purchaser, and indicating the number of shares proposed to be disposed of. The Company shall, in turn, notify the other Partners within the following three (3) days by registered mail or hand delivery against receipt. The other Partners shall have the right to redeem the shares within one (1) month from the date of notification on the same conditions. If one (1) month after notification, none of the other Partners exercises the right of redemption, the selling Partner shall be free to dispose of that selling Partner’s shares. If more than one of the Partners exercises the right of redemption, the said shares shall be divided among them in proportion to their existing shareholding.*
<table>
<thead>
<tr>
<th>Article 10</th>
<th>مادة (10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Company shall prepare a Partners register, including the following information:</td>
<td>يعد بالمركز الرئيسي للشركة سجل خاص للشركاء يتضمن ما يلي:</td>
</tr>
<tr>
<td>Names, nationalities, addresses, and occupations of Partners.</td>
<td>أسماء الشركاء وجنسياتهم ومحال إقامتهن ومهنهم.</td>
</tr>
<tr>
<td>Number of shares owned by each Partner and their total amount.</td>
<td>عدد الحصص التي يملكها كل شريك وقيمتها الإجمالية.</td>
</tr>
<tr>
<td>Any disposal of shares and the transfer of their title, showing the date and the signatures of both the transferor and the transferee in the event of the transaction being effected among living persons, or showing the signature of the Manager and the transferee in the event that the ownership has been transferred as an inheritance. Disposal or transfer of shares will have no consequences as regards the Company or others, except as of the date of its entry into the said register. All Partners and interested parties may examine this register during business hours of the Company. In January of each year, information recorded in this register shall be sent to the General Authority for Investment and Free Zones. Also, any modifications thereto shall be sent to the Companies Department within five (5) days of the date such modification being registered.</td>
<td>حالات التنزل عن الحصص أو انتقال ملكيتها مع بيان تاريخ توقيع المتنازل والمتنازل إليه في حالة التصرف بين الأحياء وتوكيع المدير ومن أذل إليه الحصص في حالة الانتقال بطرق الميراث. ولا يكون للتنزل أو الانتقال أثر في مواجهة الشركة أو الغير إلا من تاريخ قيده في السجل المذكور. ويجوز لكل شريك أو لكل ذي مصلحة من غير الشركاء الإطلاع على هذا السجل في أوقات العمل اليومي للشركة وترسل إدارة الشركة خلال شهر يناير من كل سنة قائمة تشتمل على البيانات الواردة في السجل المذكور إلى مصلحة الشركات كما يعين على إدارة الشركة أن تقوم بإخطار الجهة المذكورة بأي تغيير قد يطرأ على بيانات سجل الشركاء خلال خمسة أيام على الأكثر من تاريخ إثباته بالسجل.</td>
</tr>
<tr>
<td>Article 11</td>
<td>مادة (11)</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>The Company shall be managed by one or more Managers to be appointed by the General Assembly from among the Partners or others. As an exception to the foregoing procedure for the appointment of Managers, the Partners have appointed the first Manager(s) as follows:</td>
<td>يتولى إدارة الشركة مدير أو مديرون تعيينهم الجمعية العامة من بين الشركاء أو من غيرهم واستثناء من طريقة التعيين سلالة الذكر عين الشركاء:</td>
</tr>
<tr>
<td>The Manager(s) shall assume their responsibilities for a period of [] years / for an indefinite period.</td>
<td>ويباشر المديرون وظائفهم لمدة [ ] عام / لمدة غير محددة</td>
</tr>
<tr>
<td>The Manager(s) shall represent that there are no felony or misdemeanor convictions rendered against any of them involving dishonesty and no penalties against them provided for in Articles 89, 162, 163 and 164 of Law No. 159 of 1981 during the five (5) years prior to their appointment (unless redeemed thereafter) and that they do not work with the Government, Public Sector or Business Public Sector.</td>
<td>ويفتر المديرون بأنه لم يسبق صدور أحكام قضائية ضد أحدهم بعقوبة جنائية أو جنحة مخلة بالشرف أو بعقوبة من العقوبات المنصوص عليها في المواد (89)، (162)، (163)، (164) من القانون رقم 159 لسنة 1981، وذلك خلال الخمس سنوات السابقة على تعيينهم (ما لم يكن قد رد إليه اعتباره)، وبأنهم لا يعملون بالحكومة أو بالقطاع العام أو بقطاع أعمال العام.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 12</th>
<th>مادة (12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Manager(s) shall represent the Company before third parties. The Manager(s) shall be vested severally with the broadest powers to act in the name of the Company, except for those powers expressly reserved for the General Assembly in accordance with the Company’s Articles of Association, the Law or its Executive</td>
<td>يتمثل المدير الشركة في علاقاتها مع الغير وله في هذا الصدد أسوأ السلطات لإدارة الشركة والتعامل باسمها فيما عدا ما احتفظ به صراحة عقد الشركة أو القانون أو لائحته التنفيذية للجمعية العامة. وله إدارة الشركة وتمثلها أمام القضاء وقادة الغير والتوقيع عن الشركة والتعامل باسمها أمام جميع الجهات الحكومية الرسمية والوزارات والأجهزة التنفيذية التابعة للدولة والقطاع العام وقطاع الأعمال والقطاع الخاص والهيئة العامة للرقابة على الصادرات والواردات وكافة الأجهزة التابعة للأحياء بكافة محافظات الجمهورية وله حق التوقيع منفذا عن الشركة في جميع</td>
</tr>
</tbody>
</table>
Regulations, or any other means. The Manager(s) shall have the right to individually deal with banks, by withdrawal or deposit, as well as to represent the Company before third parties, governmental and non-governmental entities and may delegate or authorize others to perform all or part of the above.

<table>
<thead>
<tr>
<th>Article 13</th>
<th>مادة (13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Manager is subject to removal upon a justified decision of the Partners owning at least seventy five (75%) percent of the capital.</td>
<td>المدير قابل للعزل في أي وقت بقرار مسبب بموافقة الأغلبية العددية للشركاء الحائزة لثلاثة أرباع رأس المال على الأقل.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 14</th>
<th>مادة (14)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upon the vacation of the Manager’s position, the Extraordinary General Assembly must convene within a maximum of one (1) month for the consideration and appointment of a new Manager in accordance with the provisions of Article 62 of Law No. 159 of 1981.</td>
<td>في حالة خلو إدارة الشركة من مدير تدعى الجمعية العامة غير العادية للانتفاع خلال شهر على الأكثر للنظر في الأمر وتعيين مديرًا جديدًا مع مراعاة أحكام المادة (62) من القانون رقم 159 لسنة 1981.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 15</th>
<th>مادة (15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Manager shall have the right to receive an annual amount as remuneration paid every month, as determined by the General Assembly. This shall be recorded as general expenses and shall be in addition to the Manager’s right to</td>
<td>للمدير الحق في مبلغ سنوي إجمالي، بصفة مكافئة تدفع كل شهر، وتقيد بحساب المصروفات العامة وذلك علامة على حقه في استرداد مصاريف التمثيل وبدل السفر والانتقال، والمدير أيضا حق الحصول على حصة في الأرباح على الوجه المبين في المادة (34) من هذا العقد.</td>
</tr>
</tbody>
</table>
reimbursement for representation and travel expenses. The Manager(s) shall also have the right to share in the profits, as indicated in Article 34 of these Articles of Association.

<table>
<thead>
<tr>
<th>Article 16</th>
<th>مادة (16)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All advertisements, contracts, and all other documents and printed materials issued by the Company must be followed by the phrase “Limited Liability Company” in clear and legible characters. The main office and the capital of the Company, based on its established value in the last approved balance sheet, also must be indicated.</td>
<td>يجب أن تحمل الإعلانات ونسخ العقود وجميع الأوراق والمطبوعات الأخرى التي تصدر من الشركة اسم الشركة وأن تصبح أو تلقى عبارة &quot;شركة ذات مسؤولية محدودة&quot; مكتوبة بأحرف واضحة ومفروضة، مع بيان مركز الشركة الرئيسي وبيان رأس المال بحسب قيمته الثابتة في آخر ميزانية معتمدة للشركة.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 17</th>
<th>مادة (17)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All notices sent to and by the Company and the Partners shall be sent by registered letter or hand delivered against receipt.</td>
<td>تتم الإخطارات من وإلى الشركة والشركاء فيها على هيئة خطابات موصى عليها مصحوبة بعلم الوصول أو باليد مقابل إيصال.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 18</th>
<th>مادة (18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The General Assembly shall represent all partners. It may convene only in the Cities of Cairo, Egypt or [__].</td>
<td>تمثل الجمعية العامة جميع الشركاء ولا يجوز انعقادها إلا في مدينة [__].</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 19</th>
<th>مادة (19)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Each Partner shall have the right to attend the General Assembly, either in person or by</td>
<td>لكل شريك حق حضور الجمعية العامة للشركاء لحصصهما كمئذ عند الحصة التي يمتلكها سواء كان ذلك بنفسه أو عن طريق وكيل من الشركاء أو غيرهم بموجب</td>
</tr>
</tbody>
</table>

© AMERELLER LEGAL CONSULTANTS 2010
<table>
<thead>
<tr>
<th>Article 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>The General Assembly shall be chaired by one of the Managers who shall appoint a Secretary and a person to count votes, subject to the endorsement of the General Assembly. The General Assembly shall be attended by at least one of the Managers.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invitations to attend the General Assembly shall be sent by registered letter or hand delivered against receipt to each Partner at least fifteen (15) days prior to the date of the meeting at the Partner’s address shown in the Company’s register. The agenda shall be prepared by the party inviting the General Assembly to convene.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>The General Assembly shall deliberate only on those items appearing on the Agenda as indicated in the letter of invitation. However, it may also delegate another Partner or other person by special proxy to represent that Partner, regardless of the number of shares that Partner owns. Each Partner shall have a number of votes calculated according to the number of shares that Partner owns or represents, without any limitation.</td>
</tr>
</tbody>
</table>
discuss any serious matter raised during the meeting.

Decisions adopted by the General Assembly, in accordance with the Company’s Articles of Association and the provisions of Law No. 159 of 1981 and its Executive Regulations, shall be binding on all Partners including those who are absent, dissenting, or lack capacity.

<table>
<thead>
<tr>
<th>Article 23</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Ordinary General Assembly shall meet once a year upon the invitation of the Company’s management, at a time and place identified therein, during the three (3) months following the end of the Company’s fiscal year. The Manager(s) of the Company shall have the right to convene an Extraordinary General Assembly whenever necessary. The management of the Company shall also invite the Extraordinary General Assembly to convene if the Auditor or a number of Partners representing at least five (5%) percent of the capital so require, provided that they declare the reasons for such a meeting. Notice must be given by registered letter or hand delivered against receipt.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>مادة (23)</th>
</tr>
</thead>
<tbody>
<tr>
<td>تنعقد الجمعية العامة العادية للشركاء كل سنة بناء على دعوة من إدارة الشركة في الزمان والمكان الذين يحددهما إعلان الدعوة، وذلك خلال الثلاثة أشهر على الأكثر التالية لعنة السنة المالية للشركة وإدارة الشركة أن تقرر دعوة الجمعية العامة العادية للشركاء للانعقاد غير العادى كلما دعت الضرورة إلى ذلك. وعلى إدارة الشركة أن تنعقد الجمعية العامة العادية للشركاء إلى انعقاد غير عادي إذا طلب ذلك مراقب الحسابات أو عدد من الشركاء يمثل 5% من رأس مال الشركة على الأقل بموجب خطاب موصى عليه مصوح بعلم الوصول أو باليد مقابل إيضاح بشرط أن يوضحوا أسباب الطلب.</td>
</tr>
</tbody>
</table>

| The Auditor or the General Authority for Investment and Free Zones also shall have the right to invite the Extraordinary General Assembly to convene when the Company’s Manager(s) fail(s) to do so after the lapse of one |

| ولمراقب الحسابات أو مصلحة الشركات أن يدعو الجمعية العامة العادية للشركاء للانعقاد في دور انعقاد غير عادي في الأحوال التي تتراخى فيها إدارة الشركة عن الدعوة على الرغم من وجود ذلك ومضى شهر على تحقيق الواقعة أو بدء التاريخ الذي يجب فيه توجيه الدعوة إلى الانعقاد |

© AMERELLER LEGAL CONSULTANTS 2010

233
(1) month from the date the General Assembly should have been convened.

<table>
<thead>
<tr>
<th>Article 24</th>
<th>مادة (24)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Ordinary General Assembly shall convene annually within the three (3) months following the end of the Company’s fiscal year for the following reasons:</td>
<td>تجتمع الجمعية العامة للشركة مرة على الأقل كل سنة خلال ثلاثة أشهر من انتهاء السنة المالية وتنظر الجمعية على الأخص في المسائل الآتية:</td>
</tr>
<tr>
<td>To consider the report of Auditor.</td>
<td>1- تقرير مراقب الحسابات</td>
</tr>
<tr>
<td>To supervise the performance of the Managers and consider their discharge of their responsibilities.</td>
<td>2- مراقبة أعمال إدارة الشركة والنظر في اخلائها من المسؤولية</td>
</tr>
<tr>
<td>To approve the financial statements.</td>
<td>3- المصادقة على القوائم المالية.</td>
</tr>
<tr>
<td>To approve the dividends to be distributed.</td>
<td>4- الموافقة على توزيع الأرباح وتحديد مكافأة الإدارة.</td>
</tr>
<tr>
<td>To appoint an auditor and determine his remuneration.</td>
<td>5- تعيين مراقب الحسابات وتحديد أتعابه.</td>
</tr>
<tr>
<td>To appoint the Managers and determine their remuneration.</td>
<td>6- تعيين المديرين وتحديد مكافأتهم.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 25</th>
<th>مادة (25)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Ordinary General Assembly shall not be validly held unless attended by partners representing at least 50% (fifty percent) of the capital of the Company. If the quorum is not fulfilled in the first meeting, a second meeting shall be convened within a period of thirty (30) days following the first meeting, and the second</td>
<td>لا يكون انعقاد الجمعية العامة العادية للشركاء صحيحًا إلا إذا حضره شركاء يمثلون 50% على الأقل من رأس المال على الأقل فإن لم يتوافر الحد الأدنى في الاجتماع الأول وجبت دعوة الجمعية العامة إلى اجتماع ثان يعقد خلال الثلاثين يومًا التالية للاجتماع الأول ويعتبر اجتماعها الثاني صحيحًا مما كان عند الحضور الممثلة فيه.</td>
</tr>
</tbody>
</table>

© AMERELLER LEGAL CONSULTANTS 2010
meeting shall be valid irrespective of the number of shares represented thereat.

The first invitation to the General Assembly will be sufficient if it refers to the second General Assembly’s date. Resolutions of the General Assembly shall be passed by the majority votes of partners present or represented at the meeting. *In the case of a tie, the Chairman shall cast the deciding vote.*

### Article 26

<table>
<thead>
<tr>
<th>مادة (26)</th>
</tr>
</thead>
</table>

The Extraordinary General Assembly shall be empowered to amend the Company’s Articles of Association, taking into consideration the following:

Not to increase the obligations of the Partners; any General Assembly resolution affecting the substantial rights of the Partners acquired through their participation in the Company shall be null and void.

It is possible to add complementary, related, or similar objectives to the principal objective of the Company.

The Extraordinary General Assembly shall be

ويعج الامكفاء بالدعوة إلى الاجتماع الأول إذا حدث فيها موعد الاجتماع الثاني، وتصدر القرارات بأغلبية عدد أصوات الحصص الحاضرة والممثلة في الاجتماع على الأقل. وفي حالة تساوي الأصوات يرجح الجانب الذي فيه رئيض الاجتماع.

takes the general assembly extraordinary the authority of the company’s Articles of Association, taking into consideration the following:

لا يجوز زيادة النزامات الشركاء، وبطلًا ككل قرار صدر من الجمعية العامة يكون من شأنه المساء بالحقوق الأساسية لمالك الحصص التي يستمدها بصفته شريكًا.

يجوز إضافة أغراض مكملة أو مرتبطة أو قريبة من غرض الشركة الأصلي.
empowered to increase or reduce the capital of the Company; to extend or shorten the life of the Company; to dissolve the Company before the expiration of its term; or to alter the rate of loss that could lead to the dissolution or merger of the Company.

<table>
<thead>
<tr>
<th>Article 27</th>
<th>مادة (27)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without prejudice to the provisions pertaining to the Ordinary General Assembly, the following shall apply to the Extraordinary General Assembly of the Partners:</td>
<td>مع مراعاة الأحكام المتعلقة بالجمعية العامة العادية تسرى على الجمعية العامة غير العادية للشركاء الأحكام الآتية:</td>
</tr>
</tbody>
</table>

The General Assembly shall convene upon request of the Managers, or of a number of Partners representing not less than ten percent (10%) of the capital. Their request should be based on valid grounds. If the Managers do not call for the meeting within one (1) month from the date they received the request, the applicants shall have the power to submit their request to the Companies Department which will deal with the notice.

The Extraordinary General Assembly of the Partners shall not be valid unless attended by Partners representing at least 51% of the capital, and if such a quorum is not reached, a second meeting of the Extraordinary General Assembly shall have the power to submit their request to the Extraordinary General Assembly of the Company; to dissolve the Company before the expiration of its term; or to alter the rate of loss that could lead to the dissolution or merger of the Company. 

وإطلاق أمد الشركة أو تقصيره أو حلها قبل موعدها أو تغيير نسبة الخسارة التي يترتب عليها حل الشركة أو اندماج الشركة.
shall be held within the following thirty (30) days. The second meeting shall be considered valid if attended by Partners representing 40% of the capital.

<table>
<thead>
<tr>
<th>Resolutions of the first Extraordinary General Assembly shall be passed upon the approval of at least two thirds (2/3) of the votes of those present and represented at the meeting. The resolutions of the second Extraordinary General Assembly resolutions shall be passed upon the approval of at least three quarters (3/4) of the votes of those present or represented at the meeting. If the resolution concerns the dismissal of a Manager, it may only be passed upon the approval of the majority of the Partners representing three quarters (3/4) of the capital, ignoring the shares represented by the Manager subject to dismissal.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Article 28</th>
</tr>
</thead>
</table>

Names of attending Partners shall be registered in a special register, showing whether they have attended in person or by a proxy. This register must be signed before the commencement of the meeting by the auditor and the person counting the votes.

<table>
<thead>
<tr>
<th>مادة (28)</th>
</tr>
</thead>
</table>

تسجل أسماء الحاضرين من الشركاء في سجل خاص بثبت فيه حضورهم وما إذا كان بالأصل أو بالإفارة، ويثبوه هذا السجل قبل بداية الاجتماع من كل من مراقب الحسابات وفازري الأصوات.
<table>
<thead>
<tr>
<th>Article 29</th>
<th>مادة (29)</th>
</tr>
</thead>
<tbody>
<tr>
<td>During the General Assembly, every Partner is entitled to discuss the matters on the agenda with the Managers and the Auditor.</td>
<td>يكون لكل شريك يحضر اجتماع الجمعية العامة الحق في مناقشة الموضوعات المدرجة في جدول أعمالها واستجواب إدارة الشركة ومراقب الحسابات بشأنها.</td>
</tr>
<tr>
<td>The Managers or the Auditor must answer the questions of the Partners, provided that the interests of the Company are not harmed. If a Partner believes the reply to a question to be insufficient, the Partner shall refer the matter to the Assembly. The decision of the Assembly in this regard shall be implemented.</td>
<td>وتجيب إدارة الشركة أو مراقب الحسابات على أسئلة الشركاء بالقدر الذي لا يعرض مصلحة الشركة أو المصلحة العامة للضرر. وإذا رأى الشريك أن الرد على سؤاله غير كاف أحكم إلى الجمعية العامة ويكون قرارها واجب التنفيذ.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 30</th>
<th>مادة (30)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voting by the Partners during the General Assembly shall be in public. Voting shall be by secret ballot only if resolutions are related to the appointment or dismissal of the Manager(s), or in the case of filing liability suits against them, or upon the request of the Chairman or a number of Partners representing at least one tenth of the votes of those Partners present or represented.</td>
<td>يكون التصويت في الجمعية العامة للشركاء علنًا ويجب أن يكون التصويت بطريقة سرية إذا كان القرار يتعلق بتعيين المديرين أو عزلهم أو بإقامة دعوى مسئولية عليهم، أو إذا طلب ذلك رئيس الاجتماع أو عدد من الشركاء يمثل عشر الأصوات الحاضرة والممثلة في الاجتماع على الأقل.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 31</th>
<th>مادة (31)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minutes of the General Assembly meeting shall</td>
<td>يحرر محضر اجتماع يتضمن أثبات الحضور وتوافر نصاب الانعقاد وكذلك أثبات</td>
</tr>
</tbody>
</table>
be in writing. They shall record the presence of the Partners, the quorum of the meeting, the presence of the representatives of the competent administrative authorities, a sufficient summary of all discussions held during the meeting, decisions taken, the number of votes approving them and rejecting them, and all other matters the Partners may require to be recorded in the minutes.

A copy of such minutes should be sent to the General Authority for Investment and Free Zones within one (1) month from the date of such meeting.

**Article 32**

The Company’s fiscal year shall be twelve (12) Gregorian calendar months starting from January 1st and ending on December 31st of each year. However, the first fiscal year shall run from the date of the incorporation of the Company until the end of December of the following year. The first General Meeting shall be held immediately after the Company’s fiscal year.
The Managers shall prepare, with respect to each fiscal year, and within sufficient time to permit the holding of the General Assembly within at most two (2) months from the end of such year, the balance sheet, the profit and loss account, and a report on the Company’s activities over the year and its financial position at the end of the year in question.

Fifteen (15) days after its preparation, the balance sheet shall be filed with the appropriate Commercial Registry and any concerned party may have access to it. Copies of the documents mentioned in the previous section shall be sent to each Partner, the General Authority for Investment and Free Zones, and the Auditor by registered letter or hand delivered against a receipt fifteen (15) days prior to the date of the General Assembly.

<table>
<thead>
<tr>
<th>Article 34</th>
<th>مادة (34)</th>
</tr>
</thead>
<tbody>
<tr>
<td>After the deduction of expenses and other costs, the annual net profits of the Company shall be distributed in the following manner:</td>
<td>توزع أرباح الشركة الصافية السنوية بعد خصم جميع المصارف/articles العامة والتكتيكات الأخرى كما يأتي:</td>
</tr>
<tr>
<td>An amount equal to at least five percent (5%)</td>
<td>1- يبدأ بتجنب مبلغ يوازي 5% على الأقل من الأرباح لتكوين</td>
</tr>
</tbody>
</table>
of profits shall be allocated to a legal reserve. Such amount shall cease to be allocated when the total accumulated reserve reaches at least fifty percent (50%) of the Company’s capital. If the reserve falls below this limit, the said allocation shall be resumed;

| الأحتياطي، ويفوت هذا التحنيب المتبقي بلغ مجموع الاحتياطي قدراً بوائزي ٥٠% على الأقل من رأس المال ومن ثم أقل الاحتياطي عن ذلك تعين العودة إلى التحنيب. |

| An amount equal to five percent (5%) of capital shall be allocated for distribution among the Partners as a first portion of dividend. If in any year the profits shall not permit the distribution of such dividend, the Partners may not claim the amount from the dividends of following years; |

| يقطع بعد ذلك المبلغ اللازم لتوزيع حصّة أولى من الأرباح قدّرها ٥% من رأس المال على الأقل على الشركاء عن قيمة حصصهم، على أنه إذا لم تسمح أرباح الشركة في سنة من السنوات بتوزيع هذه الحصة فلا يجوز المطالبة بها من أرباح السنين القادمة. |

| A percentage of the remaining profits that may not exceed one percent (1%) shall be allocated to reward the Company’s management; |

| يخصص بعد ما تقدم مبلغ لا تتجاوز نسبته ١% من الأرباح المتبقية لمكافحة إدارة الشركة. |

| The remaining profits shall be distributed to the Partners as an additional portion of dividends or carried forward to the following year upon the proposal of the Managers, or shall constitute an extraordinary reserve or depreciation fund. Losses, if any, shall be borne by each Partner proportionately to that Partner’s respective shareholding, provided that no additional amount may be demanded in excess of the value of those shares. |

<p>| تخصص نسبة من الأرباح بناءً على اقتراح إدارة الشركة واعتماد الجمعية العامة توزيع على الأعين. يوزع الباقي من الأرباح بعد ذلك على الشركاء كحصة إضافية في الأرباح أو يرحل بناء على اقتراح إدارة الشركة إلى السنة المقبلة أو يكون به احتياطي غير عادي أو مال للأستهلاك غير عادي. أما الخسائر – إن وجدت - فتتحملها الشركاء بنسبة حصصهم دون أن يلزم أحدهم بأكثر من قيمة حصصه. |</p>
<table>
<thead>
<tr>
<th>Article 35</th>
<th>مادة (35)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves shall be utilized in a manner beneficial to the Company upon a resolution of the General Assembly to be tabled on the recommendation of the Managers.</td>
<td>يستعمل الاحتياطي بقرار من الجمعية العامة للشركاء بناء على اقتراح المديرين فيما يعود على الشركة بالنفع.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 36</th>
<th>مادة (36)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends shall be paid to the Partners at the place and time determined by the General Assembly, provided that this will be within one (1) month of the date of the General Assembly’s decision to distribute dividends.</td>
<td>تدفع حصص الأرباح إلى الشركاء في المكان والموعد الذي تحددها إدارة الشركة بشرط ألا تتجاوز شهراً واحداً من تاريخ قرار الجمعية العامة بالتوزيع.</td>
</tr>
</tbody>
</table>

| The Managers may distribute an amount on account of the profits of the current year if allocated and current profits so permit. | وجوز لإدارة الشركة أن تقوم بتوزيع مبلغ من أصل حصص أرباح السنة المالية الجارية إذا كانت الأرباح المخصصة والجارية تسمح بذلك. |

<table>
<thead>
<tr>
<th>Article 37</th>
<th>مادة (37)</th>
</tr>
</thead>
<tbody>
<tr>
<td>As per the provisions of Articles 103 through 109 of Law No. 159 of 1981 and its Executive Regulations, the Company shall have one or more auditors qualified in accordance with the Law on the profession of accountancy and auditing and whose appointment and fees shall be determined by the General Assembly.</td>
<td>مع مراعاة أحكام المواد من (103) إلى (109) من القانون رقم 159 لسنة 1981 ولائحة التنفيذية، يكون للشركة مراقب حسابات أو أكثر ممن تتوافر في شانهم الشرط المنصوص عليها في قانون مزاولة مهنة المحاسبة والمراجعة تعينه الجمعية العامة للشركاء وتقدر أتعابه.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As an exception to the preceding paragraph, the</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Partners have appointed Mr./Ms. [<strong>], the Auditor registered under No. [</strong>] in the Auditors and Accountants’ Register and residing at [__] as the Company’s first Auditor.</td>
<td>مراقباً أولاً لحسابات الشكبة.</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>The Auditor shall accept his or her designation after declaring compliance with the conditions set forth in the Law on the profession of accountancy and auditing, without any violation of the provisions of Articles 103 through 109 of Law No. 159 of 1981.</td>
<td>وفق مراقب الحسابات بقبوله التعيين وتوافر الشروط المقررة في قانون مزاولة مهنة المحاسبة والمراجعة في شخصه ، وبعد مخالفته لأحكام المواد من (103) إلى (109) من القانون رقم 159 لسنة 1981.</td>
</tr>
<tr>
<td>The Auditor may be questioned as to the accuracy of the details in his or her report in the Auditor’s capacity as a representative of all the Partners by any one of the Partners. During the General Assembly, every Partner shall have the right to discuss the Auditor’s report and ask questions relating thereto.</td>
<td>ويُسأل المراقب عن صحة البيانات الواردة في تقريره بوصفه وكيلًا عن مجموع الشركاء ، ولكن شريك أثناء عقد الجمعية العامة أن يناقش تقرير المراقب أو يستعرضه عما ورد به.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 38</th>
<th>مادة (38)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Company shall have a legal counsel admitted before the Court of Appeal. The legal counsel shall be appointed and counsel fees shall be determined by the General Assembly. As an exception to the above, the Partners have appointed [<strong>], residing at [</strong>], Egypt as the first Legal Counsel for the Company.</td>
<td>يكون للشركة مستشار قانوني من المقيدين بجدول الاستثناف على الأقل يتم تعيينه وتقدير أتعابه بقرار من [<strong>] و إستثناء ما تقدم في الشركاء الأستاذ/ [</strong>] المحامي بـ [<strong>] المقيم في [</strong>] مستشاراً قانونياً أولاً للشركة.</td>
</tr>
<tr>
<td>The Legal Counsel acknowledges his or her approval to the appointment.</td>
<td>ويقر المستشار القانوني بقبوله التعيين.</td>
</tr>
<tr>
<td>Article 39</td>
<td>مادة (39)</td>
</tr>
<tr>
<td>-----------</td>
<td>----------</td>
</tr>
<tr>
<td>Without prejudice to the Partners’ rights provided for by Law, disputes concerning matters of general interest or against the Managers may not be initiated unless the action is brought in the name of the Partners, following a resolution of the General Assembly. Any Partner wishing to bring an action of this nature shall notify the Manager(s) by registered letter, return receipt requested, or hand delivery against receipt at least one (1) month before the convening of the next General Assembly. The Managers shall include the proposal in the agenda of the Assembly.</td>
<td>مع عدم الإخلال بحقوق الشركاء المقررة قانوناً، فإنه لا يجوز رفع المنازعات التي تمس المصلحة العامة والمنشودة ضد إدارة الشركة إلا باسم مجموع الشركاء وبمقتضى قرار من الجمعية العامة للشركة. يجب على كل شريك يريده رفع نزاع من هذا القبيل أن يخطر إدارة الشركة بذلك بموجب خطاب موصى عليه مصحوب بعلم الوصول أو باليدين مقابل إيعاد اتفاق الجمعية العامة للشركاء بشهر واحد على الأقل، ويجب على إدارة الشركة إدراج هذا الاقتراح في جدول أعمال الجمعية العامة للشركاء.</td>
</tr>
<tr>
<td>If the General Assembly rejects the proposal, no Partner may resubmit the same proposal. If the proposal is approved, the General Assembly shall appoint one or more representatives empowered to bring the action, and all official documents shall be addressed to them.</td>
<td>وإذا رفضت الجمعية العامة للشركاء هذا الاقتراح فلا يجوز لأي شريك إعادة طرح باسمه الشخصي، أما إذا قبِل فتعين الجمعية العامة لمباشرة الدعوى منذوباً أو أكثر ويجب أن توجه إليه جميع الإعلانات الرسمية.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 40</th>
<th>مادة (40)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resolutions promulgated by the General Assembly of Partners shall have no effect with respect to initiating any civil liability action against the Company’s managers regarding faults mistakes committed by them in the performance of their duties. However, should the error causing</td>
<td>لا يترتب على أي قرار يصدر من الجمعية العامة للشركاء سقوط دعوى المدنية ضد إدارة الشركة بسبب الأخطاء التي تقع منها في تنفيذ مهامها. وإذا كان الفعل الموجب للمدنية المدنية قد عرض على الجمعية العامة للشركاء يتقرر من إدارة الشركة أو مراقب الحسابات فتسقط هذه الدعوى بموجب سنة من تاريخ صدور قرار الجمعية العامة بالتصادقة على تقرر إدارة الشركة أو تقرر مراقب الحسابات (حسب الأحوال).</td>
</tr>
</tbody>
</table>
the civil liability claim be forwarded to the General Assembly of the Partners through a report from the Managers or the Auditor, then the right of filing such an action will be prescribed after the elapse of one (1) year from the date of approval of the managers report or the Auditor report, as the case may be.

<table>
<thead>
<tr>
<th>Article 41</th>
<th>مادة (41)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without prejudice to the rights of bona fide third parties, all resolutions promulgated by the General Assembly of the Partners will shall by deemed null and void if they violate the provisions of Law No. 159 of 1981 and its Executive Regulations, or provisions of the Articles of Association of the Company.</td>
<td>مع عدم الإخلال بحقوق غير حسن نية يقع باطلاً كل قرار يصدر من الجمعية العامة للشركاء بالمخالفة لأحكام القانون رقم 159 لسنة 1981 أو عقد الشركة.</td>
</tr>
<tr>
<td>All resolutions promulgated in favor of or against a certain group of Partners, or in the interest of the Company’s Managers, or without taking into consideration the Company’s interest, shall be subject to rescission. Only those Partners dissenting to such a resolution in the minutes of the meeting, or those who were not present, have the right to request the nullification of such a resolution. The Authority has the right to request the nullification of the resolution on their behalf, provided they have valid reasons.</td>
<td>وكذلك يجوز إبطال كل قرار يصدر لصالح فئة معينة من الشركاء أو للإضرار بهم أو لجلب نفع خاص لإدارة الشركة أو غيرها دون اعتبار لملف الشركة. ولا يجوز أن يطلب الباطلون في هذه الحالة إلا الشركاء الذين اعتراضوا على القرار في محضر الجلسة أو الذين تغيبوا عن الحضور بسبب مقبول. ويجوز لملف الشركاء أن تتوب عنهم في طلب الباطلون إذا تقدموا بأسباب جدية.</td>
</tr>
</tbody>
</table>
If the resolution is considered null and void, it will be deemed to have never been passed. The Company then must publish a summary of such judgment in one of the daily newspapers and in the companies’ newspaper. The right of filing a nullity action shall be prescribed after one (1) year from the date of promulgating such resolution, and filing such an action shall not prevent the implementation of such resolution, unless a court order is obtained.

Article 42

In the case of loss of half of the amount of its capital, the Company shall be deemed dissolved, even before the due date of its termination, unless otherwise agreed upon by the Extraordinary General Assembly.

Article 43

Notwithstanding the provisions of Law 159 of 1981 and its Executive Regulations, upon expiry of the term of the Company or its liquidation prior to the expiry of its term, the General Assembly shall appoint, upon the request of the Managers, one or more liquidators from among the Partners or otherwise and determine their capacities and fees.
If a judgment rendering the liquidation or nullity of the Company is issued, the court shall define the procedures of liquidation and determine the liquidator and his fees. The liquidator’s job shall not be terminated by the death of any of the Partners, their bankruptcy, or their being placed under custody, even if the liquidator was appointed by the Partner involved. However, the authority of the General Assembly shall remain in force during the period of liquidation and until the liquidators are discharged.

<table>
<thead>
<tr>
<th>Article 44</th>
<th>مادة (44)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The provisions of Law No. 159 of 1981 and its Executive Regulations on Joint Stock companies, partnerships limited by shares, as well as limited liability Companies, according to their latest amendments, shall be applied with respect to matters not dealt with in these Articles of Association.</td>
<td>تسري أحكام قانون شركات المسابحة وشركات التوصية بالأسهم والشركات ذات المسؤولية المحدودة الصادر بالقانون رقم 159 لسنة 1981 وتعديلاته وللاحتياج التنفيذية وتعديلاتها ، فيما لم يرد بشأنه نص خاص في هذا العقد .</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 45</th>
<th>مادة (45)</th>
</tr>
</thead>
<tbody>
<tr>
<td>These Articles of Association have been signed in the City of Cairo in the Arab Republic of Egypt on [__], 2010 (Gregorian Year). Three (3) copies were provided for each party and the rest to be</td>
<td>حضر هذا العقد بمدينة القاهرة بجمهورية مصر العربية في يوم [<strong>] الموافق [</strong>] من [__] نسخة ، لكل من المتعاقدين نسخة ، وباقي النسخ لتقديمها إلى الجهات المعنية للاستصدار القرار المرخص في التأسيس .</td>
</tr>
</tbody>
</table>
submitted to the relevant authorities for the issuance of the approval to form the Company.

<table>
<thead>
<tr>
<th>Article 46</th>
<th>مادة (46)</th>
</tr>
</thead>
<tbody>
<tr>
<td>This Contract shall be submitted to the Commercial Registry and be published in accordance with the law.</td>
<td>يودع هذا العقد في السجل التجاري وينشر طبقاً للقانون.</td>
</tr>
<tr>
<td>The Partners have empowered Mr./Ms. [<em><strong>] and Mr./Ms. [</strong></em>], to undertake all procedures needed. All costs, expenses and remuneration with respect to the formation of the Company will be deducted from the Company’s general expenses.</td>
<td>وقد في اتخاذ كافة الإجراءات اللازمة في هذا الشأن والمصروفات والنفقات وال الأجور والتكاليف التي تم إنفاقها في سبيل تأسيس الشركة تخص من حساب المصروفات العامة.</td>
</tr>
</tbody>
</table>
XXIII. ANNEX 3: Directory of addresses

1. German-Arab Chamber of Industry and Commerce

**German-Arab Chamber of Industry and Commerce - Headquarters**
GIC Tower, 21, Soliman Abaza St., Mohandessin, Cairo, Egypt
Tel.: +202 3 336 8183
Fax: +202 3 336 8786 / 8026
E-Mail: info@ahk-mena.com
Website: www.ahkmena.com

**Alexandria-Office (branch)**
7, El Fardos St., Building 4, 2nd Floor, Semouha, Alexandria, Egypt
Tel.: +203 427 33 38
Fax: +203 427 33 38
E-Mail: alex@ahk-mena.com

**Ismailia-Office**
135, Orabi and Misr St., Ismailia, Egypt
Tel.: +20 64 391 5534
Fax: +20 64 392 1902 / 391 3440
E-Mail: ismailia@ahk-mena.com
Liaison Office- Berlin  
Mena Projektpartner e.V.  
Haus der Deutschen Wirtschaft  
Breite St. 29,  
10178 Berlin, Germany  
Tel.: +49 30 20308 1207  
Fax: +49 30 20 308 1206  
E-Mail: info@mena-projektpartner.de

German Industry and Commerce, Ltd.  
MAGICX (Management of German and International Conferences  
and Exhibitions)  
GIC Tower, 21, Soliman Abaza St.,  
Mohandessin, Cairo, Egypt  
Tel.: +202 3333 8484  
Fax: +202 3336 8026  
E-Mail: magicx@ahk-mena.com

2. EU Delegation

Delegation of the European Union to Egypt  
37, Gamaet El Dowal El Arabeya St.,  
El Fouad Office Building, 11th Floor,  
Mohandessin, Cairo, Egypt  
Tel.: +202 3749 4680  
Fax: +202 3749 5363  
E-Mail: delegation-egypt@ec.europa.eu  
Website: www.ec.europa.eu/delegations/egypt
3. Embassies and Consulates

The German Embassy
Michael Bock, Ambassador
2, Berlin St., Zamalek,
Cairo, Egypt
Tel.: +202 27 28 20 00
Fax: +202 27 28 21 59
E-Mail: info@kairo.diplo.de
Website: www.kairo.diplo.de

Honorary Consul of Germany - Alexandria
Nevine Leheta, Honorary consul
9, El Fawatam St.,
Bab Sharki, Alexandria, Egypt
Tel.: +203 486 75 03
Fax: +203 484 09 77
E-Mail: germanconsulate@leadergroup.net

Honorary Consul of Germany - Hurghada
Peter-Jürgen Ely, Honorary Consul
365, El Gabal El Shamali,
Hurghada, Egypt
Tel.: +2065 344 36 05 / 344 57 34
Fax: +2065 344 36 05
E-Mail: konsulat@inhurghada.net
Embassy of the Arab Republic of Egypt
Ramzy Ezzeldin Ramzy, Ambassador
Stauffenberg St. 6-7,
10785 Berlin, Germany
Tel.: +49 30 477 54 70
Fax: +49 30 477 10 49
E-Mail: embassy@egyptian-embassy.de
Website: www.egyptian-embassy.de

Consul General of the Arab Republic of Egypt - Frankfurt
Eysseneck Str. 34,
60322 Frankfurt/M., Germany
Tel.: +49 69 955 13 40 - 24
Fax: +49 69 597 21 31
Email: consularsection@egyptian-embassy.de

Consul General of the Arab Republic of Egypt - Hamburg
Mittelweg 183,
10248 Hamburg
Tel.: +49 40 413 32 60
Fax: +49 40 410 61 15
E-Mail: gen-kons-et-hh@gmx.de

4. Egyptian Chamber of Industry and Commerce

Federation of Egyptian Chambers of Commerce
4, El Falaki Square,
Downtown, Cairo, Egypt
Tel. +202 355 18 13 / 355 11 36
Fax: +202 355 79 40
E-Mail: fedcoc@menanet.net
Alexandria Chamber of Commerce
31, Chamber of Commerce St,
Alexandria, Egypt
Tel.: +203 480 89 93 / 480 93 39
Fax: +203 480 87 79

Cairo Chamber of Commerce
4, El Falaki Square,
Downtown, Cairo, Egypt
Tel. +202 355 82 61 / 355 82 62
Fax: +202 356 36 03

5. Egyptian Ministries

Ministry of Foreign Affairs
Ahmed Aboul Gheit, Minister
Corniche El Nil, Maspero,
Cairo, Egypt
Tel.: +202 257 468 71 / -72
E-Mail: info@mfa.gov.eg
Website: www.mfa.gov.eg

Ministry of Investment
Dr. Mahmoud Mohieldin, Minister
3, Salah Salem St., Ard El Maared,
Nasr City; Cairo Egypt
Tel. +202 2405 5653 / 2 / 1
Fax: +202 2405 5635
E-Mail: contact-moi@investment.gov.eg
Website: www.investment.gov.eg
Ministry of Trade and Industry  
Rachid Mohamed Rachid, Minister  
2, Latin America St.,  
Garden City, Cairo, Egypt  
Tel.: +202 279 211 78  
Fax: +202 279 574 87  
E-Mail: mfti@mfti.gov.eg  
Website: www.mfti.gov.eg

Ministry of Finance  
Dr. Youssef Boutros-Ghali, Minister  
Ministry of Finance Towers  
Nasr City, Cairo, Egypt  
Tel.: +202 2342 88 86/-30/-40  
E-Mail: finance@mof.gov.eg  
Website: www.mof.gov.eg

6. Egyptian Administrative Authorities

General Authority for Investment and Free Zones (GAFI)  
3, Salah Salem St., Ard El Maared,  
Nasr City, Cairo, Egypt  
Tel.: +202 240 55 452/-479  
Fax: +202 240 55 425  
E-Mail: investorcare@gafinet.org  
Website: www.gafinet.org
Capital Market Authority (CMA)
Egyptian Finance Supervisory Authority (EFSA)
Smart Village, Bldg. 5A -84,
Km 28, Cairo-Alexandria Desert Road, 6th of October, Egypt
Tel.: +202 353 700 40
Fax: +202 353 700 41
E-Mail: cmaegypt@cma.gov.eg
Website: www.cma.gov.eg ; www.efsa.gov.eg

The Egyptian Exchange (EGX)
4A, El Sherifien St.,
Cairo Egypt,
Tel.: +202 2392 8698/ -1402/ -1447
Fax: +202 2392 4214
E-Mail: webmaster@egx.com.eg
Website: www.egyptse.com

New & Renewable Energy Authority (NREA)
25, Dr. Abou El Naga St.,
Nasr City, Cairo, Egypt
Tel.: +202 227 258 91
Fax: +202 227 1717 3
E-Mail: reic@nreaeg.com
Website: www.nrea.gov.eg

The Egyptian Insurance Supervisory Authority (EISA)
28, Talaat Harb St.,
Cairo, Egypt
Tel.: +202 2575 8423
Fax: +202 2575 8645
E-Mail: eisa@soficom.com.eg
Website: www.eisa.com.eg
The General Authority for Economic Zone North West Gulf of Suez (SEZONE)
Tesseen Str, GASCO Building, 4th Floor,
Tagmoa El Khamis, New Cairo City, Egypt
Tel.: +202 261 715 17
E-Mail: info@sezone-egypt.com
Website: www.sezone-egypt.com

Mortgage Finance Authority (MFA)
Al Bahr Al A’zam St., El Manesterly Towers,
Giza, Cairo, Egypt
Tel.: +202 257 371 79

Egypt State Information Service (SIS)
3, Al Estad Al Bahary St.,
Nasr City, Cairo, Egypt
Tel.: +202 226 17 304/ -308
E-Mail: feedback@sis.gov.eg
Website: www.sis.gov.eg

The Egyptian Cabinet - Information and Decision support Center (IDSC)
1, Magless El Shuab St.,
Cairo, Egypt,
Tel.: +202 2792 9292
Fax: +202 2792 9222
E-Mail: info@idsc.net.eg
Website: www.idsc.gov.eg

Leadership Management Development Center (LMCD)
20, Salem Salem St.,
Agouza, Cairo, Egypt
Tel.: +202 274 94125; Website: www.lmdc.gov.eg
7. Representation of the UN in Egypt

**United Nations Development Programme (UNDP)**
1191, Corniche El Nil, World Trade Centre
Boulaq, Cairo, Egypt
Tel.: +202 2578 4840 - 6
Fax.: +202 2578 4847
E-Mail: registry.eg@undp.org
Website: www.undp.org.eg

**The Office of the High Commission for Refugees (UNHCR)**
17, Maka El Mokarama St.,
7th District, 6th of October City, Cairo, Egypt
Tel.: +202 383 55 801
Fax: +202 383 55 762
Website: www.unhcr.org.

**The United Nations Children’s Fund (UNICEF)**
87, Misr Helwan Agricultural Road,
Maadi, Cairo, Egypt
Tel.: +202 2526 50 83/ -87
Fax: +202 2526 4218
E-Mail: cairo@unicef.org
Website: www.unicef.org/egypt

**International Labour Organization (ILO)**
Sub-Regional Office for North Africa
9, Dr. Taha Hussein St.,
Zamalek, Cairo, Egypt
Tel.: +202 273 69 290
Fax: +202 267 60 889
E-Mail: cairo@ilo.org
Website: www.ilo.org/public/english/region/afpro/cairo
World Health Organization (WHO)
Eastern Mediterranean Regional Office
Abdul Razzak Al Sanhouri St.,
Nasr City, Cairo, Egypt
Tel.: +202 227 670 25 35
Fax: +202 2670 24 92
E-Mail: webmaster@empro.who.int
Website: www.emro.who.int

International Civil Aviation Organization (ICAO)
Middle East Office (MID)
Egyptian Civil Aviation Complex,
Cairo Airport Road, Cairo, Egypt
Tel.: +202 267 4840
Fax: +202 267 4843
E-Mail: icao@cairo.icao.int
Website: www.icao.int/mid

8. German Institutions in Egypt

Deutsche Gesellschaft für technische Zusammenarbeit (GTZ)
German Agency for Technical Cooperation
4d, El Gezira St., 3rd Floor
Zamalek, Cairo, Egypt
Tel.: +202 2 735 975 0
Fax: +202 2 738 2981
E-Mail: gtz-aegypten@gtz.de
Website: www.gtz.de
Goethe-Institute - Egypt
5, Sharia El-Bustan
P.O.B. 7 Mohamed Farid
11518 Cairo, Egypt
Tel.: +20 2 3748 4501 / -4576
Fax +20 2 3333 5402
E-Mail: info@cairo.goethe.org
Website: www.goethe.de/cairo

Kreditanstalt für Wiederaufbau (KfW) (Reconstruction Credit Institute)
KfW Office - Cairo
4D, El Gezira St.,
Zamalek, Cairo, Egypt
Tel.: +202 27 36 9525 / -7496
Fax: +202 27 36 3702
Website: www.kfw.de

Germany Trade & Invest
43, Degla St. No 12
Mohandessin, Giza
Tel.: +202 3336 1620
Fax: +202 3338 4738
Website: www.gtai.de
9. German Press in Egypt

ARD - TV
1125, Corniche El Nile, 12th Floor, Apt. 26
Maspero, Cairo, Egypt
Tel.: +202 2574 99 26/ -27/ -28
Fax: +202 2574 1003
E-Mail: cairo.tv@ard.de
Website: www.ard.de

ARD-Radio
Office of the Arab World
1125, Corniche El Nil, 11th Floor, Apt. 23
Maspero, Cairo, Egypt
Tel.: +202 2575 1615
Fax: +202 2578 2995
Email: cairo.radio@ard.de
Website: www.ard.de

Deutsche Presseagentur (dpa)(German News Agency)
20, St. Gamal El-Din Aboul Mahasen,
Garden City, Cairo, Egypt
Tel.: +202 2795 68 42/ -43
Fax: +202 2795 6318
E-Mail: clasmann@dpa.com
Website: www.dpa.de
Der Spiegel
18, St. El-Fakaweh, 2nd and 4th Floor,
Dokki, Giza, Egypt
Tel.: +202 3760 4944
Fax: +202 3760 7655
E-Mail: spiegelcairo@gmx.net
Website: www.spiegel.de

Süddeutsche Zeitung
1125, Corniche El Nil, 14th Floor,
Maspero, Cairo, Egypt
Tel./Fax: +202 2579 8879
E-Mail: T.Avenarius@sz-korrespondent.de
Website: www.sueddeutsche.de

TAZ - Tageszeitung
c/o ARD
1125, Corniche El-Nil, 14th Floor,
Maspero, Cairo, Egypt
Tel.: +202 2773 0068
Fax: +202 2773 0068
E-Mail: karim@gawhary.net
Website: www.taz.de

ZDF-TV
1129, Corniche El-Nil, 3rd Floor,
Maspero, Cairo, Egypt
Tel: +202 2574 0003/ 2575 5016/ 2579 2690
Fax: +202 2579 5855
E-Mail: ossenberg.d@zdf.de
Website: www.zdf.de
XXIV. ANNEX 4: Authors and Law Firm

1. Authors

**Dr. Florian Amereller** is the founding partner of AMERELLER Legal Consultants with law offices in Munich, Dubai, Ras Al Khaimah, Cairo, Damascus, Baghdad, Basra and Erbil. He is an appointed Arbitrator at the Dubai International Arbitration Center (DIAC), the Vice President of the Arab-German Chamber of Commerce and Industry (Ghorfa), a Board Member of the German-Arab Chamber of Industry and Commerce and member and/or founder of various other European and international associations and expert committees for legal development and reform in the Arab world. He is fluent in Arabic, holds a Ph.D. and a master degree in Arab/Islamic Law; and is the author of many publications on Arab business law. In particular, he published extensively on Business Law in Egypt, Iraq, Syria and Libya, as well as on a wide array of subjects ranging from Islamic Banking to Distribution and Agency law, Joint Ventures, International Public Procurement and Banking and Finance.

Dr. Amereller is fluent in German, English, Arabic and French.

**Dr. Kilian Bälz** specializes in M&A, projects, finance (including Islamic finance) and energy (focus renewable energy) as well as related arbitration matters. He was admitted to the German bar in 1999. Before joining Amereller Rechtsanwälte, he was a partner in the Frankfurt office of Gleiss Lutz and the founding director of the Regional Centre for Renewable Energies and Energy Efficiency (RCREEE), a policy platform to promote renewable energies based in Cairo. Dr. Bälz studied law and
Middle East studies at the universities of Freiburg, Berlin (FU), Damascus, Cairo (AUC) and London (LL.M. School of Oriental and African Studies).

Dr. Bälz is fluent in German, English, Arabic and French and has published widely on Middle Eastern business law, Islamic finance and renewable energies.

**Dr. Sven Klaiber** was born in Ulm, Germany, 1974, and admitted in 2009, in Munich. Sven is an Associate in the Dubai office of Amereller Legal Consultants. Previously with the Legal Department of Germany Trade & Invest (formerly German Office for Foreign Trade, bfai), he has published extensively on various fields of law, e.g. labour law, distribution, international private law and company law in most countries of the MENA region. He is a member of the Munich Bar Association; the German-Spanish Lawyers Association; the Association for Arabic and Islamic Law; and the German-Iranian Lawyers Association. Sven is fluent in German, English, and Spanish and also speaks Arabic, Portuguese and French. He specialized in Corporate and Commercial Law; Contract law; Agency and Distribution Law; International Private Law and Arbitration.

*EDUCATION:* University of Passau Germany, assistant to the Chair of Prof. Dr. Michel Schweitzer, 2003; Second State Exam 2002. Law Studies in Passau, Germany and Santiago de Compostela (Spain), 1994 – 2000.
2. Law Firm

Amereller Legal Consultants is an International law firm specializing in corporate and commercial law in the Middle East. The firm consists of some 30 lawyers and advises its clients on all aspects of business law in the Middle East with a particular focus on projects, joint ventures, mergers and acquisitions and distribution and agency agreements. The firm’s clients include European, US-American and Asian companies, leading multinationals and local business leaders. The firm is regularly chosen as local counsel by multinational entities in their Middle Eastern legal proceedings and has advised a number of Arab governments in the reform of their business legislation.

3. Offices

Cairo Office
GIC Tower, 21, Soliman Abaza St.,
Mohandessin, Cairo, Egypt
Tel.: +202 376 262 01/03
Fax: +202 376 262 02
E-mail: cairo@amereller.com

Dubai Office
19th Floor, Al Moosa Tower II, , Sheikh Zayed Road,
Dubai, United Arab Emirates
Tel.: +971 4 332 96 86
Fax: +971 4 332 96 87
E-mail: dubai@amereller.com
Ras Al Khaimah Office
Ras Al Khaimah, Free Trade Zone,
P O Box 16462
Ras Al Khaimah, United Arab Emirates
Tel.: +971 7 2046 255
Fax: +971 7 2046 256
Email: rak@amereller.com

Munich Office
Lenbachplatz 4,
80333 Munich, Germany
Tel.: +49 89 549 019 0
Fax: +49 89 549 019 99
E-mail: office@amereller.com

Berlin Office
Mädler Haus,
Friedrichstrasse 58,
10117 Berlin,
Germany
Tel.: +49-89 54 90 190
Fax: +49-89 54 90 19 99
Email: office@amereller.com
Baghdad Office
Maghreb Street, Kawakeb Building
(Opposite Rabat Hall), Baghdad, Iraq
Tel.: +964 7435301761;
Fax: +964-1-425 1038; +44 (0)207 691 7215
Baghdad@amereller.com

Baghdad International Zone
Sabre Compound
District 215, Street 7, Baghdad, Iraq
Tel.: +964-740 032 3429; +1 801 839 2403
Fax: +964-1-425 1038; +44 (0) 207 691 7215
Iraq@amereller.com; mok@amereller.com

Erbil Office
60th Street (Steeny Street)
Opposite Panasonic-Sheikh Barzanji District 340--6699.
Erbil, Iraq
Tel.: +964-66-22356-65
Fax.: + 964-66-22356-66; +44 (0) 207 691 7215
erbil@amereller.com

Basra Office
Sayid Ameen Street
Basra, Bradeya, Iraq
Tel.: +964-740 032 3429; +1 801 839 2403
Fax: +964-1-425 1038; +44 (0) 207 691 7215
basra@amereller.com