

Client Alert: Egypt's Electronic Collateral Register Commencement of Operation

By Laila Rizk

Following the issuance of the Law No. 115 of 2015 Regulating Security Interests Over Moveables and its Executive Regulations published on 15 December 2016, the completion of the infrastructure and the operation of the Electronic Collateral Register (ECR) have been anticipated by the finance community as well as various concerned parties in Egypt and abroad.

The operation of the ECR marks another step towards modernizing the secured debt infrastructure. It should primarily facilitate the financing of SMEs and microfinance in Egypt, both of which are prioritized by the State in view of the current austerity measures.

Operation

The ECR will operate two systems in parallel: One for the inquiries, which will enable any person to inquire about specific collateral, and another for registering security interest. The latter is only available for persons registered with the ECR after entering into a special agreement with the ECR.

The ECR was launched on 11 March 2018. Various parties, including many of Egypt's leading banks and financial leasing companies, have already entered into agreements with the ECR for the registration of their security interest.

Commencement and Transition Period

The ECR is dedicating the first three months of its operation to the 'backlog', being the security interest over movable assets granted prior to its operation date. During this period, any person may register a security using the date on which the security interest over the movable asset was granted.

After the three-month period, which is scheduled to finish on Sunday, 10 June 2018, the security will bear the date of the registration.

Creditor Priority

Excluding the three-month transition period, the priority of creditors in relation to the collateral is determined by the registration of the collateral in the ECR, secured creditors are encouraged to register the security interest during the transition period or risk losing their priority over subsequent creditors.

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Our previous Client Alert regarding the Law Regulating Security Interests over Moveable Property and its Executive Regulations is available here:

<http://amereller.com/wp-content/uploads/2017/03/170330-Egypt-Exec-regulations-secured-transaction-law.pdf>

If you would like more information about this topic then please contact us.

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