

Egypt

Chamber of commerce:

Federation of Egyptian Chambers of Commerce
4 Midan El Falaky Street
Cairo
Egypt
Tel: +202 795 1136
Fax: +202 795 1164
Email: fedcoc@menanet.net

Professional body:

Egyptian Bar Association
49a Ramses Street
Cairo
Egypt
Tel: +202 572 1055
Fax: +202 574 7488

Turning points – new legislation in 2006 and 2007

Nermien Al-Ali
Zaki Hashem & Partners
Cairo

Last year witnessed many legislative changes which continued the three-year reform effort of the capital markets and financial sector, as well as political and constitutional reform. New legislation was also introduced in the retail and consumer sector bringing Egypt closer in line with international practice in consumer protection.

Finance and capital markets

The Capital Market Authority (CMA) set out on a reform effort from 2005 to 2008 with a strategy to improve the CMA's regulatory role, reduce non-commercial risk, protect investors and strengthen market transparency. A number of regulations, decrees and CMA board decisions were passed to this effect during 2006 and 2007. The major changes were the introduction of Chapters 10 and 11 to the Capital Market Law Executive Regulations, in relation to corporate governance and mergers and acquisitions.

The regulations aim to control disclosures to the public about mergers and acquisitions, introduce methods of independent valuations of the fair value of stock, and prevent disclosure of information that would result in price manipulation. The new legislation is designed to limit insider trading and market distortion, as well as to protect shareholders' rights. These developments were followed later in the year by decision no 34 of 2007 of the CMA Board, requiring the approval of all shareholders of holding and affiliate companies for stock swaps. This approval can only be provided if an independent valuation of the fair value of the stock is performed and later approved by the CMA.

On the trading side, the CMA relaxed its capital requirement rules for new activities and passed decision no 14 of 2007 in May 2007, requiring brokerage companies to prove capital adequacy before dealing in margin trading, short selling, and same-day and online trading. The net liquid capital of interested brokerage firms should be at least 10% of their total liabilities.

The CMA sees this as a major step in its attempt to shift its focus from a compliance-based system to one based on risk management. To achieve this, the CMA has realized the need for professional training. It has passed a decision establishing the Capital Market Institute, which will receive technical assistance from the London Institute of Securities and Investments. This way the CMA hopes that by the end of 2008 it will raise the credentials of capital market providers, as well as the standard of corporate governance and dealings.

Constitutional framework

The most radical legislative changes are the constitutional amendments introduced in March 2007 by referendum. The amendments are very extensive and present a political turning point. Firstly, all references to the socialist regime, principles and system have been replaced by references to a free market economy. On the one hand, the amendments reduce judicial supervision of the presidential elections, handing this responsibility to a special committee including few judges. On the other hand, they authorize the government to take measures to ensure women are represented in the People's Assembly. This has encouraged the legislature to take another step towards equal representation of women on the judiciary, by appointing 30 new females amid moderate criticism.

The amendments contained two unprecedented and highly political additions. One of these prohibits the formation of political parties on the basis of religion or race. This is seen as an attempt to prevent groups like the

Moslem Brotherhood from forming political parties. The government has maintained that this change ensures equality before the law and politics and establishes the precepts of a civil society. The other addition authorizes the government to enact laws to combat terrorism. The government has explained that this will enable it to lift the state of emergency law imposed since the assassination of former president Anwar Sadat, by addressing terrorism as the real reason behind the state of alert.

Consumer protection

The Consumer Protection Law, enacted in June 2006, is the culmination of years of discussion on creating a system to protect consumers against counterfeits and defective products, and was passed after long deliberations. It navigates uncharted waters by allowing class actions by aggrieved consumers and representation by non-governmental organizations, further establishing the principles of civil society.

Above all, the law aims to introduce retailers' accountability by making them liable for reporting defective goods to the Consumer Protection Agency, hence imposing part of the burden of consumer protection on the retail market. It is yet to be seen if the said law, along with the Intellectual Property Law, will be able to rid the Egyptian market of the plague of counterfeit products.

These new pieces of legislation form an essential part in the Egyptian legislature's effort to reform the basic precepts of the country's economic, social and political framework. It is an effort that started years ago, and has produced good results in improving the investment climate and the status of the capital markets. Political reforms are an essential part of this effort as the government promotes an image of stability and civil rights. At the same time the encouragement of investment is balanced with new rules for consumer protection, which are yet to prove their effectiveness.

Banking and capital markets

Recommended firms	
Tier 1	Helmy Hamza & Partners/Baker & McKenzie Shalakany Law Office
Tier 2	Al Kamel Law Office Denton Wilde Sapte Ibrachy & Dermarkar Zaki Hashem & Partners
Tier 3	DLA Matouk & Bassiouny Ibrachy Law Firm Sharkawy & Associates Trowers & Hamlins
Tier 4	Hassouna & Abou Ali Kosheri Rashed & Riad Sarwat A Shahid Law Firm

Mergers and acquisitions

Recommended firms	
Tier 1	Helmy Hamza & Partners/Baker & McKenzie Shalakany Law Office Zaki Hashem & Partners
Tier 2	Al Kamel Law Office Denton Wilde Sapte Ibrachy & Dermarkar Ibrachy Law Firm Trowers & Hamlins
Tier 3	DLA Matouk & Bassiouny Hassouna & Abou Ali Kosheri Rashed & Riad Sarwat A Shahid Law Firm Sharkawy & Associates

Project finance

Recommended firms	
Tier 1	Helmy Hamza & Partners/Baker & McKenzie Shalakany Law Office
Tier 2	Al Kamel Law Office Denton Wilde Sapte DLA Matouk & Bassiouny Ibrachy & Dermarkar Sharkawy & Associates Trowers & Hamlins Zaki Hashem & Partners

The Egyptian legal market is moving quite smoothly. The oil and gas sector is essential to the country's economy, and with energy projects and acquisitions in the banking sector also increasing; firms are much busier than they were a few years ago. There have been several mergers in the steel industry over the last few years, and the food sector has also seen its fair share of deals.

Another development is the entrance of Asian concerns into the marketplace. Outbound Asian investment, particularly from India and China, is finding a natural home in the Middle East. "We have more of a common culture with them [investors from Asia] than the West," said one lawyer. "This is an interesting shift." Investment from the Persian Gulf has also increased, and projects like the development of the Damietta port, whose main sponsor is from Kuwait and whose investors include a Chinese shipping company, have added to the optimism in the market.

Helmy Hamza & Partners, Shalakany Law Office and Zaki Hashem & Partners are still perceived to be the top firms in the market, and dominate most of the big deals. But a number of younger, ambitious firms are making an impact on the market as well.

When a handful of lawyers left Ibrachy & Dermarkar to form their own firms, it seemed like the beginning of open season for Egypt's legal market. But the fragmentation hasn't had a real concrete effect apart from making the market more competitive, providing a chance for the country's less established firms to show off their credentials.

Al Kamel Law Office

Al Kamel enters the second tier in all three categories this year, after recommendations from its peers and clients. "It is a very competent firm," said a rival. "It has worked on some real big transactions over the year and has proven itself in the market."

Clients were also complimentary: "The firm is very good; the lawyers are top quality in relation to the emerging markets and I would recommend Mohamed Kamel, Tamim Foda and Rasheed Kamel," said one, adding: "They are an effective team of lawyers."

Rasheed Kamel was repeatedly singled out for praise, with one client describing him as a "skilful lawyer and an ideal team player".

The firm was retained to act as the legal counsel to Etisalat Misr in its E£10 billion (€1.29 billion) long-term refinancing for its existing bridge facility. It also advised ABN Amro in its €111 million mixed credit facility to the National Bank of Egypt and guaranteed by the Central Bank of Egypt, as part of the Zafarana wind energy project.

Private equity is beginning to make more of an impact in Egypt and Al Kamel has been actively involved in this new development. It advised EFG Private Equity and other shareholders in respect to the \$50 million alliance between Galva Metal and Kadneel Steel.

It continued working for Johnson & Johnson in its global acquisition of some of the products from Pfizer in Egypt in 2006. Another significant deal it worked on was Saint-Gobain Weber's acquisition of a controlling stake in a paint and chemical company. It advised the same client in a joint venture with a float glass production line in Egypt.

Al Kamel acted also as legal counsel for the Petroleum Oil and Gas Corporation of South Africa in its acquisition of an Egyptian company in the Gulf of Suez.

With Indian and Chinese companies showing interest in Egypt, Al Kamel gained a few clients from these countries as well. For example, it acted for China Shipping in its \$40 million investment in the Damietta International Ports Co for the construction of a container terminal in Damietta.

Among its other instructions from east Asia, the firm acted for South Asian Petrochem, an Indian company, with respect to a polyethylene terephthalate resin project in Egypt. Another Indian company it advised was Essar Group, with respect to its Egyptian oil refinery. Finally, it was consulted by Phillip Morris in relation to the tobacco company's operations in Egypt.

Leading lawyers

Mohamed Kamel
Rasheed Kamel

Denton Wilde Sapte

Denton Wilde Sapte, which opened an office in Cairo in 1964, is one of three international firms (along with Trowers & Hamlins and Baker & McKenzie) that have made a mark on the Egyptian market. It has had an active year in the banking sector. Among its highlights, the firm acted for HSBC in relation to documentation review and preparation of a legal opinion on a secured \$150 million credit facility issued to of an Egyptian construction conglomerate.

It also acted for Citibank in a \$100 million facility, along with documentation and a legal opinion, in relation to a financing of Oriental Weavers. Elsewhere, it acted for BNP Paribas in relation to a \$50 million bridge facility to fund the acquisition of a steel manufacturing plant by Misr National Steel.

Elsewhere, it advised Methanex on the development and implementation of a \$1 billion greenfield methanol production facility. It also helped it set up a joint venture and a

representative office with EChem, an Egyptian public sector petrochemicals holding company, for a private free-zone methanol production facility. It also assisted ABN Amro on a structured trade financing secured by proceeds of oil to be transported through the Sumed pipeline.

In capital markets, Denton Wilde Sapte acted for Goldman Sachs on share trading related to securities. It also advised Cargill Incorporated regarding derivative products and pricing restrictions. Finally, the firm was consulted by Fujitsu on its restructuring, including the establishment of a new company followed by a branch merger in Egypt.

Peers have been impressed by the firm's managing partner Michael Lacey. "He has a good team, and has continued to do well in what is a difficult market for international firms," a competitor said.

Leading lawyers

Michael Lacey
Frédérique Léger

Helmy Hamza & Partners/Baker & McKenzie

Baker & McKenzie's Cairo office displayed its banking prowess when it advised National Bank of Greece in connection with the \$150 million credit facility to Vegas Oil and Gas. This was for the financing, subsequent exploration and development of petroleum resources in the Alam El Shawish area in Egypt. Mohamed Ghannam and his team also acted for Morgan Stanley Capital Group in a \$200 million financing of the acquisition of an oil concession.

It also maintained its strong position in the M&A market making full use of the few privatizations that are left. It acted as the seller's counsel in the privatization of the state-owned Bank of Alexandria with the sale of an 80% stake to Italy's SanPaolo. The transaction value was \$1.6 billion and the deal was closed in October 2006. Another privatization deal saw Taher Helmy and Mohamed Ghannam represent Indorama International Finance in the sale of Shebeen El Qom Weaving Company for \$30 million.

In a further \$459 million deal, Helmy Hamza & Partners advised a consortium consisting of Capital International, Citigroup Venture Capital International and Concord International Investments Group in connection with the purchase of Amoun Pharmaceuticals. The firm is now representing Ready Mix Beton in the acquisition of 100% of the shares of Development & Construction Material Company for E£112 million.

Hazim Rizkhana has won several accolades for his work in the last decade and in

December 2006 he extended legal services to Lotus Air in connection with its \$28.5 million financing for the sale of an aircraft.

Helmy Hamza & Partner has made full use of the increased projects taking place in Egypt. It is acting as Egyptian legal counsel to represent the lenders in the \$970 million non-recourse refinancing of Spanish Egyptian Gas Company's liquefied natural gas plant located at Damietta port. The firm is also advising Damietta International Ports in connection with the financing of its new containers terminal.

Another deal that the firm is working on includes acting for El Sewedy Cables in connection with the proposed copper smelter and refining project to be developed in Egypt with Glencore International.

One client felt that one of the firm's strengths lies in securities and bonds. The client added: "I have worked with Susan Farid and Hazim Rizkhana and both are talented and well established lawyers. I have been working with them since the nineties and I hold a healthy relationship with the firm." Among its recent capital markets instructions, the firm worked on behalf of the Ministry of Finance in connection with its contemplated launch of an offering in the international capital markets.

Leading lawyers

Mohamed Ghannam
Taher Helmy
Hazim Rizkhana

Ibrachy & Dermarkar

After the departure of two of its main lawyers, Jim Wright and Ashraf Elibrachy, in the last two years, the market reports that Ibrachy & Dermarkar has recovered well, and continues to grow at a healthy pace.

It worked on the financing for Bazian Cement Company, a greenfield cement plant in northern Iraq. The investment was made by Orascom Construction Industries of Egypt and the Farouk Rasoul Group of Iraq with financing from the International Finance Corporation, Commercial International Bank and the Arab African International Bank of Egypt.

The firm also has an office in Baghdad, Iraq and has a regional presence across the Middle East. It worked for Overseas Private Investment Corporation and the International Financing Corporation in the financing of the Damietta International Port. It also performed due diligence for a potential equity investment by Savola Packaging System in New Marina Plast, an Egyptian joint-stock company. The firm also played a

role in the merger of the mobile network operations of Siemens and Nokia.

Finally, Ibrachy & Dermarkar advised an international European bank on a capital increase, a share buyback, trading in share options and the private placement of those products with relation to a regional telecoms company.

Leading lawyers

Bahieldin Elibrachy
Mohamed el Roubi

Ibrachy Law Firm

One interviewee described Ashraf Elibrachy as "one of the brightest lawyers in Egypt at the moment".

His firm may be quite new, but because of the experience of its partners and lawyers, it has got off to a great start. Elibrachy and Tarek Elgazzar recently advised Piraeus Bank in the sale of the Sudanese Egyptian Bank, and acted for the same client in the acquisition of 90% of the shares of Phoenix Kato for Managing Investment Funds.

Another deal saw Ibrachy Law Firm assist Commercial International Bank in finalizing the E£250 million financing of a syndicated medium-term loan agreement in addition to an E£83 million working-capital facility.

Elsewhere, it worked on the acquisition of Alexandria Commercial and Maritime Bank. Ibrachy Law Firm assisted the Union National Bank in the restructuring of the bank while taking into consideration legal issues that were discovered during due diligence for the deal.

It also acted on behalf of Swicorp in relation to the acquisition of 43.25% of the shares of AK III in one of the major investment companies in Egypt. The transaction price amounted to E£216 million.

Along with White & Case, the firm acted as the local counsel for Orascom Telecom Holding in its successful offering of senior notes due 2014. This was the first international corporate bond issuance by an Egyptian corporate entity since 1999, and had a value of \$750 million.

Finally, Ibrachy Law Firm acted as legal adviser to the Arab International Bank in a long-term facility. The loan comprised two tranches, and was issued to finance the construction of two gas pipelines; one from Hurghada to Safaga the other from Taba to Sharm El Sheikh.

Leading lawyers

Ashraf Elibrachy

Shalakany Law Office

Shalakany Law Office is one of Egypt's most prolific financial and corporate firms, and remains in the top tier in all three disciplines this year. Founded in 1912, this firm has maintained its quality and has a team of approximately 65 lawyers. "It is an extremely versatile firm – I wouldn't recommend anyone else, really," said a longstanding client.

The firm worked for EFG-Hermes Holding in its offering for \$500 million in a private placement to Abraj Capital Fund. Elsewhere, it advised Egyptian Arab Real Estate Bank in the securitization of a loan portfolio guaranteed by the Ministry of Finance for E£750 million.

Shalakany Law Office was especially busy advising lenders in syndicated loans and credit facilities. It advised Misr International Bank as a facility agent in a credit agreement for \$600 million. On another similar transaction, it assisted Arab African National Bank as a facility agent in a syndicated medium-term loan facility agreement for \$287 million. In another deal, it worked for the Calyon Corporate & Investment Bank in a facility agreement for a €20 million single-currency term loan.

The firm also witnessed a very active year in project finance. One deal that justifies its first-tier position was the construction and project financing of a methanol facility at Damietta for \$530 million.

According to the firm's clients, Monica Zulfiqar stands out as one of the leading lawyers in the country. "We need more lawyers like her," remarked one client. She heads the banking and capital markets practice, and seems to be almost every Egyptian lawyer's favourite competitor.

Leading lawyers

Mona Zulfiqar

Trowers & Hamblins

Trowers & Hamblins operates in association with Nour Law Office in Egypt, a two-partner firm headed by Mohamed Nour. The firm participated in Sanpaolo's successful bid of \$1.618 billion for an 80% stake in the Bank of Alexandria. This deal was the first privatization of a public-sector bank in Egypt. The team, led by Sara Hinton with support from Tim Armsby, Amal Moussa and Ahmed Ibrahim, represented the consortium comprising Qatar Telecom, STTC of Singapore and Al Naem Holdings of Egypt in its bid for the third GSM licence in Egypt.

The firm also was involved in Vodafone Europe's tender offer to purchase up to 11,760,000 shares in Vodafone Egypt

Telecommunications, 4.9% of the company's share capital, at a price of E£100 per share.

It continued to act as the local counsel to Exim Bank and the commercial lenders in relation to the financing and guarantee of an ammonia plant under construction in a free zone near Suez. The capital value is estimated to be \$540 million and the plant will be the largest of its kind in Egypt.

Elsewhere, it acted as a local counsel to Polskie Górnictwo Naftowe i Gazownictwo, a Polish company, in its acquisition of Devon Energy's oil and gas interests in Egypt.

Trowers & Hamblins advised Merrill Lynch in relation to the offering of shares in a company, to be listed on in the UK's Alternative Investment Market, to Egyptian investors. It is also in the process of advising the State General Reserve Fund of Oman in relation to a luxury residential development in central Cairo.

Sara Hinton, who is a partner of the firm, is also the vice-chairman of the British Egyptian Business Association and she has been advising on the modernization of Egypt's tourism laws.

Leading lawyers

Sara Hinton

Zaki Hashem & Partners

Zaki Hashem & Partners is one of the oldest Egyptian firms, founded in 1953, and is particularly strong in corporate and transactional work. Thus it was involved in some of the largest acquisitions that took place in Egypt in the last year.

Yasser Hashem is a renowned lawyer and is a well respected figure in the market, especially known for his expertise in the telecoms sector. The firm has played a pivotal role in the country's privatization process and has performed well in the private sector as well.

It has a strong foothold among private-equity clients and represents some of the biggest names like EFG-Hermes, Citadel Capital and Beltone Investment Banking. It acted for EFG-Hermes as an underwriter on all local legal and procedural matters relating to the international public offering (IPO) of the Arafa Group. The IPO was listed on the Cairo and Alexandria Stock Exchange for a market value of almost \$92 million. In another equity capital markets transaction, the firm acted for Beltone Investment Banking relating to the IPO of GB Auto, the holding company of Ghabour Group. The market value of the flotation was estimated to be E£1.2 billion. These were the only two IPOs on the Egyptian market last year and the transactions displayed the firm's dominance in this market.

Elsewhere, it represented Middle East Turnaround Investment, a private-equity investment group managed by Haykala Investment Managers, on several acquisitions including Honeywell, as well as two companies in the oil sector and the steel sector.

On the public side, Zaki Hashem & Partners acted for the Canelli Family in the sale of Sprea Misr and Platichem, together the largest market players in the manufacture of certain plastic material, to the Egyptian Kuwaiti Holding Company for \$70 million.

One of the firm's client pointed out the "commitment of its young lawyers", adding that "they are quite vigilant at what they do". Nermien Al Ali, was called an "exceptionally intelligent lawyer" by another client. "She has a vast knowledge about the law and how to apply it. She has a very warm sense of dedication and shares the same humbleness as that of the senior lawyers," added the client.

Another up-and-coming lawyer given the nod by market observer was Mohamed Gabr. "Mohamed has accelerated above our expectation given his young age," said a rival lawyer. "The firm has clearly exposed him to the best practices where he has earned a good reputation among his peers and clients."

Among the firm's other recent highlights are its work on the establishment of El Nouran Holding Company, a sugar production and trading business, capitalized at more than E£500 million, as well as the establishment of a crude-oil cracking and distillation facilities project worth \$1 billion by the Egyptian Refining Company.

Leading lawyers

Yasser Hashem