

Egypt

Chamber of commerce:

Federation of Egyptian Chambers of Commerce
4 El Falaki Square
Bab El Lok
Cairo
Egypt
Tel: +202 355 1813
Fax: +202 355 7940
Email: fedcoc@menanet.net

Professional body:

Egyptian Bar Association
49a Ramses Street
Cairo
Egypt
Tel: +202 45 13 60
Fax: +202 74 74 88

Recent legislative developments

Shawkat Eltoumy
Shalakany Law Office
Cairo

Establishment of the Egyptian Financial Supervisory Authority

One of the most significant pieces of legislation to be passed in Egypt in 2009 is undoubtedly the Minister of Investment Decree 10/2009, which merged the Capital Markets Authority, the Mortgage Finance Authority and the Egyptian Insurance Supervisory Authority into one overarching regulatory authority for non-banking financial activities: the Egyptian Financial Supervisory Authority (EFSA).

Having transparency and market stability at the very core of its mission, EFSA is designed to bring to the Egyptian non-banking financial sector an unprecedented uniform supervision to counter the risks linked with the development of financial services and the diversification of financial products. The rationale behind this merger is simple: by consolidating the resources of the three predecessor entities and by broadening the scope of supervision, market manipulation and fraud can be properly curbed, risk of non-supervision of certain activities – more important with multiple regulators – is reduced and increased transparency on the market is achieved.

The ensuing merger of databases, together with the elimination of 'grey areas' of insufficient supervision, has significantly contributed to combating supervisory inconsistencies posed by a previously fragmented regulatory system.

Finally, in a bureaucracy-stricken country like Egypt, the establishment of a consolidated regulatory authority for non-banking financial services facilitates working relationships and partnerships with other public entities, such as the Ministry of Investment, the Central Bank of Egypt and the General

Authority for Investment and Free Zones (GAFI), ultimately aiming at increasing the competitiveness of the Egyptian market.

This new supervisory authority officially began operation on July 1, 2009.

Establishment of the Economic Courts

The establishment of specialised Economic Courts, enacted by Law 120/2008, has been a major step toward restructuring the Egyptian judicial system. Mainly devised as a means to expedite the judicial process, the Economic Courts are given exclusive jurisdiction in both criminal and non-criminal disputes arising out of the application of economic and economic-related laws such as, *inter alia*, insurance, financial leasing, intellectual property rights, bankruptcy, electronic signature, capital markets, banking, consumer protection and antitrust.

In most cases, the Law imposes a pre-litigation preparatory phase, during which a committee reviews and prepares case files for the actual trial complete with summaries of the parties submissions; the committee also offers settlement to the parties and assists the latter in an attempt to reach an amicable settlement of their dispute.

The Law provides for appeal in cases involving amounts of E£5 million (\$876,000) or less. Cases in excess of this amount are litigated directly in appellate circuits. While cassation is available in all criminal matters, it is only limited to cases exceeding the above amount in non-criminal matters.

The establishment of these Economic Courts does not affect the parties' freedom to submit disputes to arbitration: the Courts' exclusive jurisdiction in economic matters does not preclude the possibility to exclude Egyptian courts altogether by virtue of a valid, under its governing law, arbitration agreement. Nor does it affect Egypt's international obligations under the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, or the 1965 Washington (ICSID) Convention,

or Bilateral Investment Treaties to which Egypt is party.

Real estate tax

The years 2009 and 2010 have also witnessed the implementation of the new Real Estate Tax Law, which has been massively promoted and publicised in the media. Part of the larger tax reform initiative of the Government, this self-assessment tax was introduced by Law 196/2008, which replaces Law 56/1954. It is due by the owner of any real estate or any person having a usufruct right thereon, whether such person is a natural or juristic person, regardless of the real estate's size, nature and use.

While the Law provides for general exemptions from the real estate tax, none are meant to serve as significant investment incentives. The taxable base of the real estate tax is the annual leasing value of the estate; the assessment of the latter has sparked some controversy concerning the accuracy of such assessment, which is carried out by a nebulous council set up in each Governorate (administrative division) and is renewed every five years. Luckily, the Law also provides for procedures to challenge such assessment.

It is worthy to mention that the Law sets a 30% tax cut for real estate used for residential purposes and a 32% tax cut for real estate used for non-residential purposes; the rate of the tax is 10% of the annual leasing value based on the capital value of each unit (the capital value is approximately 40% less than the market value of the unit), as determined by the abovementioned council. The tax return in relation to said tax is paid annually on the first of January of each year.

Banking and capital markets

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

Project finance

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

The Egyptian banking sector has been largely unaffected by the adverse economic conditions in other parts of the world. Activity has been stable in the bond markets and the volume of trading has been consistent with previous years.

One partner notes: "We are very strong in banking and less so in capital markets. Banking has not been severely impacted in Egypt as with the rest of the world and the business environment has not suffered. There is also an appetite, which has continued, for debt financings. We see this on the transactions that we work on in the market."

Activity in the field of mergers and acquisition has increased with international interest from India and China. Lawyers have been busy with due diligence on companies working in different fields including pharmaceuticals and communications. There has been pronounced interest in derivatives from international banks looking to launch or sell such products on the market place.

"We've seen a large number of different clients looking at all sorts of different types of derivatives; we've seen asset-backed derivatives of various types. We have also had a lot of questions on commodity derivatives," notes one partner.

Though the project finance sector had been largely dormant during the end of 2009 and in the early part of 2010, there are signs of movement through public-private partnership projects (PPP).

According to one partner: "The big thing in town this past year has been PPP infrastructure projects, public schools, waste, water, transport. That is really what the government is trying to encourage. These projects take a long time to get off the ground because they are so complex from a contractual matrix and regulatory framework point of view." The partner adds: "There is an indication of a move towards more project finance work."

Helmy Hamza & Partners/Baker & McKenzie

Led by Taher Helmy, Helmy Hamza & Partners (a member of Baker & McKenzie International) is considered a reputable firm with prominent presence in the market. The firm is widely respected by competitors as a leader in the Egyptian market.

"I think they are doing quite well and I don't think they have dropped in the market at all. They are excellent and deserve their position," says one peer.

On the banking and capital markets side, the firm advised New Urban Communities Authority on a E£5 billion (\$880 million) bond issue. This was the first direct issuance of bonds in the domestic market by the eco-

nomic authority. The deal was led by Mohamed Ghannam and Hoda Etman.

On the mergers and acquisitions side, the firm has been involved on a number of deals over the past 12 months. Ghannam, Etman and Hossam Gramon led a deal acting for Pioneers Holding Co in relation to its acquisition of Beltone Partners for Investments & Trading. This was the largest merger to take place in the financial services sector in the domestic market.

Another highlight saw the firm advice Blackstone Group in connection with its successful acquisitions of Hilton Hotels Corporation worldwide. The substantial \$26.9 billion transaction was the largest in the Blackstone portfolio. The deal, which closed in April 2010, was led by Mohamad Talaat and Yasir El Akhdar.

The project finance department has also been busy with a number of deals this year. Hazim Rizkana led a team advising Commercial International Bank Egypt in relation to a \$290 million syndicated medium term facility agreement with Suez Canal Container Terminal in February 2010.

Another highlight involves representing Orasqualia on the Cairo waste water treatment plant PPP (public-private partnership) the first in Egypt. The deal also involved advising on the direct agreement and loan facility. The \$135 million deal was led by Talaat and Tamer El Hennawy.

Leading lawyers

Mohamed Ghannam
Taher Helmy
Hazim Rizkana

Zulficar & Partners Law Firm

After splitting from Shalakany Law Office in June 2009, Mona Zulficar established her own practice, Zulficar & Partners Law Firm. "Mona is excellent because she is very innovative, very smart and can think out of the box," says one client. "Lawyers are known by name not by firm and Mona has been in the field for many years and has a good reputation."

Lawyers at the firm are praised for their ability to operate effectively and determine solutions. "They give a very firm and good opinion if required about various issues relating to securities, documentation, mortgages and several other aspects," says one client. "They are very commercially oriented so they look at the commercial point of view from the bank's side and sponsor's side. They are just excellent. They find solutions for several problems."

On the banking and capital markets side the firm has been active in advising a range of a number of parties including Arab African

International Bank and National Société Générale Bank on a syndicated medium term facility agreement. The deal was led by Mona Zulficar and Sarah El Serafy and closed in April 2010. On another deal, Zulficar and El Serafy advised the same parties in relation to a revolving facility agreement which closed in April 2010.

On the mergers and acquisitions side, Zulficar and Anwar Zeidan have been active advising Guardian Egypt Glass Company on its E£486 million (\$85 million) bid to acquire EGC. Another highlight involved advising Ahli United Bank (AUB) in relation to a mixed tender offer for the acquisition of AUB Egypt. This was the first example of a mixed tender offer with either cost or with a combination of Bahrain shares and eurobonds. The \$193 million deal was led by Zulficar and a team and closed in January 2010.

The firm was also active in project finance work. Zulficar and El Serafy advised the National Bank of Egypt and Banque Misr on a syndicated facility agreement in three tranches provided to El Ezz Finance.

Clients singled out El Serafy as another key figure at the firm, one says: "She is a very efficient lawyer who is very keen on timing and respects deadlines."

Leading lawyers

Mona Zulficar
Sarah El Serafy

Shalakany Law Office

"They were responsive and they knew how to get things done in Egypt. I would recommend them, they are able to respond to their clients in regions that are sometimes difficult environments to operate in," says one international client.

Other clients report positively on their dealings with Shalakany: "They were pragmatic which is what you have to be in the region and had great knowledge of law in Egypt," says one. "They were very responsive and got around problems"

In the field of mergers and acquisitions, Shalakany advised Al Ahram Beverages Company in relation to the \$30 million acquisition of the Egyptian Beverages Company. The deal was led by Emad El Shalakany and closed in May 2009.

Another deal involved advising Andalusia Group in Saudi Arabia in the \$50 million acquisition of 51% of Al Nakhil Hospital. The deal was led by El Shalakany and closed in April 2009.

On the project finance side the firm advised Egyptian Bahraini Gas Derivatives Company in relation to a medium-term facility agreement to finance a natural gas liquids

(NGL) extraction plant. The \$66.5 million transaction closed in May 2010.

Al Kamel Law Office

"Their approach is very positive and their understanding of local law is excellent. Their interface with the government agencies is also very good and so is the way they deal with their clients," says one international client.

Mohamed Kamel is singled out by clients as a key figure at the firm, one says: "He is straightforward and gives you the real input on the given country so they you have a better understanding of the involvement you are going to enter."

Led by Mohamed Kamel, the banking department has been active in advising Palm Hills Development in relation to two syndicated facilities totalling E£567 million (\$100 million) for the financing of Palm Hill's real-estate project. The deal was led by Rasheed Kamel and Mostafa Mostafa.

Tamim Foda also represented Toepfer in relation to a \$6 million loan granted to Seagrain, an Egyptian warehousing company, for the expansion of its facilities.

Rasheed Kamel has been active on the M&A side, advising Palm Hills Development in relation to the acquisition of a majority stake in Macor for Securities Investments Company, a holding company investing in the hospitality business. The \$2.6 million deal was led by Kamel and Walid El Daly.

Leading lawyers

Mohamed Kamel
Rasheed Kamel

Ibrachy & Dermarkar

The practice is led by Bahieldin Elibrachy who has been active across a range of deals over the past 12 months. The firm also expanded its operation with a number of new hires of both junior and senior associates.

The firm is respected by its competitors and is considered to be one of the leading firms in the market. The practice maintains its reputation as a solid firm with a prominent presence in Egypt.

On the banking and capital markets side, Elibrachy has been active in advising Nilesat on an ongoing deal in relation to the financing from international lenders headed by BNP Paribas for its new satellite. Elibrachy also represented International Counsel in an ongoing deal in connection with an international bond issue of a key energy distributor.

On the corporate side, the firm has been active advising HJ Heinz in relation to its acquisition of the remaining 49% of shares of Cairo Food Industries. Before the acquisi-

tions, Heinz had owned 51% of the shares. The deal was led by Elibrachy and closed in the fourth quarter of 2009.

In the field of project finance the firm acted on behalf of a leading petroleum company regarding a joint operation agreement with an Egyptian oil and gas operator in relation to joint exploration, appraisal and development of petroleum reserves.

Leading lawyers

Bahieldin Elibrachy

Ibrachy Law Firm

"One key thing is that they have been consistent. One partner has been completely dedicated to our account which has been very good because it's given us consistency and continuity in our relationship," says a client about Ibrachy Law Firm. "We have access to senior partners that also work with complex transactions which is helpful."

A figure at the firm highlighted by clients is Tareq Gadallah. "He is an easy person to contact and reach and his responsiveness has been excellent," says a client. "Most lawyers know their legal practice very well and it's an issue of how they manage their relationships with clients and Tareq has done a very good job with that."

The practice is led by Ashraf Elibrachy and has been active across a range of transactions over the last 12 months. The firm represented National Bank of Egypt on a syndicated loan agreement to finance the purchase of six Embraer aircraft and a Boeing aircraft by Egyptair. The \$191 million deal was led by Elibrachy and Soheir Elbanna and closed in April 2009.

On a separate deal, the firm advised the same client in relation to the restructuring of a financing of Wings Tourism Development as well as a new facility. The financing included a complex security package ranging from a pledge of shares to cross corporate guarantees, assignment and subordination agreements. The \$67 million deal was led by Elibrachy and a team and closed in May 2009.

The firm also advised Orascom Telecom Holding and Global Wireless Management Corporation on a number of vendor financing arrangements in order to build a new network infrastructure. The \$122 million deal was led by Elibrachy and Elbanna and closed in August 2009.

On the mergers and acquisitions side, Elibrachy led a team advising ECU International Far East on the acquisition of 45% of the capital of ECU Line Egypt in May 2009.

"Their feedback has been valuable, they know the Egyptian environment very well and

support on the execution side,” says one international client, adding: “They are one of the largest, strongest and more experienced law firms.

Leading lawyers

Ashraf Elibrachy
Tareq Gadallah

DLA Matouk Bassiouny

The firm, a part of DLA Piper’s international network, has been active across a range of deals over the past 12 months and is highly respected by legal practitioners. “If you look at their volume, they have been working on several transactions and are really involved in the market,” says one.

In banking and capital markets Mahmoud Bassiouny along with Mohamed Abdel Gawad and Heba El Aawar, advised Morgan Stanley and a group of local and international lenders on a \$900 million facility to Petroleum Export Limited III finance a term purchase of Egyptian General Petroleum Corporation’s oil.

Another highlight saw the firm act for Calyon in connection with the drafting and opening of a pre-export facility agreement of up to \$300 million, extended from the client to EGPC. The deal was led by F John Matouk, who has been active across a range of deals, and Malak Khalil.

Omar Salah Bassiouny, who heads the mergers and acquisitions department, has also been active on a range of corporate transactions. Bassiouny led a team advising Polyserve in relation to its acquisition of Artumas’ Tanzanian subsidiary. The deal, which involved transaction structuring and due diligence, closed in August 2009.

Another deal involved advising Techno Group Holding in connection with the divestment of majority stake in Techno Group Holding to Gulf Capital Private Equity Fund. The deal was led by Bassiouny and Mariam Auda and closed in February 2010.

Sharkawy & Sarhan

Sharkawy & Sarhan remains one with a prominent presence and is respected by its competitors as a solid practice with quality lawyers.

One of the key figures singled out by a number of peers at Sharkawy & Sarhan is Jim Wright. One says: “Jim is a brilliant lawyer no doubt about that. He understand client’s needs and know how to responds to them. He is definitely a quality lawyer.”

The firm has been active on a number of deals over the past year. Karim Sarhan advised Macquarie Bank on a \$25 million facility to

Centamin Egypt to be used for developing the Sukari gold mine - one of the first gold mines in Egypt.

Another deal, led by Ahmed El Sharkawy, involved advising Natixis on \$230 million of secured equity-linked bonds issued by an off-shore subsidiary. The bond is also guaranteed by a key Egyptian telecom company.

On the mergers and acquisitions side, Wright has been active on a range of transactions including advising Titan Cement Group on the sale of a large stake in its Egyptian business to the IFC.

Wright also advised Newscorp International on its high-profile acquisition of a minority stake in Rotana Media Group. Elsewhere, Wright advised Nestlé on the divestment of Lactalis, its chilled dairy business.

Leading lawyers

Jim Wright
Ahmed Sharkawy

Other notable firms

One firm that is gaining visibility in the market is **Sarie-Eldin & Partners**. The practice was established by the former head of the capital markets authority Hani Sarie-Eldin in August 2007. Before working for the authority Hani Sarie-Eldin had been a partner working with Shalakany Law Office.

“This firm has been working on lowering prices to work on building a track record in the legal field,” says a peer. “They are definitely successful in getting certain market share. They focus mostly on banking, project finance and corporate finance,” notes a competitor.