

Egypt

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2005 ushered in a significant contribution to Egypt's legal framework. A package of new laws and regulations aimed at creating a more coherent legal environment (the development of which had already started a few years earlier) was passed. Prominent among those are the amendment to the Constitution, the Law on the Organization of Presidential Elections, the Law on the Protection of Competition and the Prevention of Monopolistic Practices, and the Income Tax Law.

The amendment to the Constitution and the Elections Law

President Hosni Mubarak issued a presidential decree on May 26 2005 amending the constitution after the majority of Egyptian voters approved (in a referendum on May 25 2005) the amendment to Article 76 of the Constitution and the addition of Article 192, which allows for secret, multi-candidate presidential elections. The amendment replaced an old referendum-based system, under which the People's Assembly designated a sole candidate who was put to a referendum. The significance of the Article 76 resides in the nature of the article itself, touching as it does on the fulcrum of the entire system of government. Amending Article 76 to provide for the free and fair direct popular election of the president from more than one candidate alters the nature of the system, and renders its legitimacy above suspicion.

To put the new amendment into effect, the People's Assembly passed the Law on the Organization of Presidential Elections (Law 174 of 2005, the Election Law). The Election Law sets out the rules for campaigning, funding and monitoring of the campaigns of presidential candidates. It establishes an independent Presidential Elections Committee for the supervision of presidential elections in accordance with the terms of the law. The Election Law therefore regulates the process whereby all political parties must nominate their candidates for the forthcoming presidential election, to be held in the light of the amendment of the Constitution, in accordance with the statutes of each party.

At the time of writing, Egypt's presidential elections are expected to take place in September 2005. The term of office of the Egyptian president is six years.

The Competition Law

The Law on the Protection of Competition and the Prevention of Monopolistic Practices promulgated by Law 3 of 2005 came into force in May 2005. This long-awaited law has rid the Egyptian market of trade practices that undermine competitiveness or that are considered unfair. The philosophy behind the Competition Law was to maintain a balance between the freedom of practicing economic activities while eradicating conglomerations of economic resources that create monopolies or concentrations of wealth in the hands of a few, thus causing injury to the public and individuals through (among other things) undesirable price controls.

The Competition Law is expected to reverse restraints on trade or commerce and on competition, which lead to market stagnation, and to enhance individual initiative. The Competition Law, which is backed by heavy monetary sanctions, applies to all transactions and business involved in commerce (covering both trade and services). It also applies to any actions committed abroad if those actions result in the prevention or restriction of the freedom of competition in Egypt. It does not, however, apply to public utilities managed by the state. The Competition Law also provides for a conditioned exception from its application in the limited case where the public interest and the interests of the consumers are obviously affected in such a manner beyond any considerations of free competition.

The application and implementation of the Competition Law (and its executive regulations) will be monitored by the Authority for the Protection of Competition and the Prevention of Monopolistic Practices, created under the Competition Law.

The Income Tax Law

The People's Assembly passed the Income Tax Law (Law 91 of 2005), aimed at, among other reforms, enacting tax cuts and widening tax brackets. The Income Tax Law is based on a philosophy of trust between the state and the taxpayer, to put an end to the long-standing climate of mistrust between taxpayers and the Tax Authority, in addition to the need to enhance Egypt's open-economy policies. It aims at reducing the discretionary powers of the Tax Authority by simplifying the rules and relying on random audits as opposed to intrusive annual audits.

The Income Tax Law relies on a category-based taxation system for individuals, depending on income, where the tax reaches

up to 20% according to each category. For companies too, the Competition Law caps corporate tax at 20% – down from 32% or 40% under the previous law depending on the type of activity – with certain exceptions, namely: the Central Bank of Egypt and the Suez Canal, which are taxed at 40%, and oil exploration and production, which is taxed at 40.55%. Also of note is the elimination of the 2% state development tax.

The Income Tax Law provides for three notable exemptions. First, professionals are granted a three-year grace period, after which they must pay taxes under the Income Tax Law like any other taxpayer. Secondly, companies that have undergone key establishment steps under the old incentives law have been granted a three-year grace period even if they have not yet begun operations. And thirdly, new business that have received loans from the Social Fund for Development are not required to pay taxes on the profits of those loans (although other sources of financing are taxable) for a five-year period starting from the beginning of operation.

One of the major changes in the Income Tax Law affecting investment in Egypt is the elimination of investment incentives, including permanent tax exemptions and tax holidays. Furthermore, exemptions have been almost entirely abolished for certain categories, including interest on paid-up capital for companies listed on the Cairo and Alexandria Stock Exchanges, capital gains that are shown in accounts, asset revaluation gains, interest on deposits, and rents from real estate. Capital gains are taxable, and losses are no longer deductible. For companies, interests from banks are taxable like any other form of revenue.

As a result of the new regulations and the associated tax cuts, the government expects to lose an estimated E£3.5 billion (\$606 million) in revenue over the next three years. However, it expects to make up for its losses in the years afterwards because of an increase in compliance with the tax rules, resulting in taxpayers making full tax payments and more individuals and companies paying their taxes.

Banking and capital markets

Recommended firms

Tier 1

Helmy Hamza & Partners/Baker & McKenzie
Shalakany Law Office

Tier 2

Denton Wilde Sapte
Ibrachy & Dermarkar
Zaki Hashem & Partners

Tier 3

Al Kamel Law Office
Hassouna & Abou Ali
Kosheri Rashed & Riad
Sarwat A Shahid Law Firm
Trowers & Hamblins

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
Trowers & Hamblins

Tier 3

Hassouna & Abou Ali
Kosheri Rashed & Riad
Sarwat A Shahid Law Firm

Project finance

Recommended firms

Tier 1

Helmy Hamza & Partners/Baker & McKenzie
Shalakany Law Office

Tier 2

Denton Wilde Sapte
Ibrachy & Dermarkar
Trowers & Hamblins
Zaki Hashem & Partners

Tier 3

Al Kamel Law Office
Kosheri Rashed & Riad

Denton Wilde Sapte

in association with El Oteifi Law Office

UK firm Denton Wilde Sapte has worked in Cairo since 1964, in association with El Oteifi, an Egyptian law office headed by Ahmed Safaa El Din El Oteifi. With 16 lawyers, the practice is relatively small – but it sits comfortably in the second tier thanks to its international connections and considerable experience in representing the Egyptian government and foreign investors. Interviewees remark that the firm “relies on its internal clients through its network offices, but does have local expertise”.

Most of the firm’s transactional highlights are in project finance, especially those relating to financing oil and gas exploitation. Recently, for example, Denton Wilde Sapte advised Tractabel on the construction and operation of an on- and offshore gas pipeline between Egypt and Jordan. It also represented a confidential client on all legal issues connected with the development of an offshore gas pipeline running between Egypt and Turkey.

The strength of the firm’s M&A department has been lessened slightly by the exit of John Matouk, a respected business-minded practitioner. Bridget McKinney is the leading light in the firm, with over 10 years’ experience, and Rami

Bichara is becoming increasingly well known in the Egyptian legal market.

Leading lawyers

Rami Bichara
Bridget McKinney

Key contact partner

Bridget McKinney

Helmy Hamza & Partners/Baker & McKenzie

Helmy Hamza & Partners was set up in 1985 as the Cairo office for global law firm Baker & McKenzie, and has been involved in many of Egypt's privatization and debt conversion programmes since then. Its legal team combines a deep understanding of local legislation with easy access to international resources and expertise, giving it a unique advantage in complex multi-jurisdictional transactions. It is particularly strong in project finance.

Helmy Hamza's office comprises four international partners, two senior of-counsels, two local partners and 12 associates. Peers comment that the firm "largely relies on client supply through its network offices, but does employ local Egyptian lawyers".

The firm's regular work for the Egyptian government has strengthened its reputation for advice on privatization, securities, banking and finance practices. The largest recent deal was acting for Telecom Egypt on a \$500 million corporate bond issue, as well as representing the telecommunications firm in relation to its acquisition of a \$130 million stake in Vodafone Egypt. Helmy Hamza also represented Al Ezz Steel Rebars on a \$130 million private placement of floating rate notes, and a \$90 million offering of share and global depositary shares. It also acted as local counsel to the National Bank of Egypt in connection with a \$500 million remittances securitization transaction.

Project finance forms a core part of the firm's workload, and the firm has recently advised the Egyptian Airports Holding Company in connection with the construction and management of five airports in Egypt. It represented the National Bank of Egypt regarding the \$130 million financing of a linear alkyl benzene project, and also advised the sponsors of a \$550 million ammonia plant owned by Egypt Basic Industries Company.

Helmy Hamza's excellent track record in corporate M&A transactions has prompted clients such as PepsiCola, Cemex, Fiat Auto and Daewoo Motors to seek its services. Among recent highlights, it advised a Canadian client on the acquisition of an Egyptian fertilizer company worth \$550 million, and represented Globeleq in relation to its acquisition of a 60% stake in power generation company Intergergen Sidi Krir. Helmy Hamza also acted for American Express Bank on the merger of its Egyptian branch with the Egyptian American Bank.

According to the market, Mohamed A Ghannam is "taking the lead at the firm since Samir Hamza is semi-retired". Ghannam is regularly involved in Helmy Hamza's largest deals,

and is "excellent at providing advice to investment banks and venture capital funds". Taher Helmy is the other major player at the firm, a "really impressive lawyer" who at the time of writing is president of the America-Egypt Chamber of Commerce.

Leading lawyers

Mohamed A Ghannam
Taher Helmy

Key contact partner

Taher Helmy

Ibrachy & Dermarkar

A "small but excellent law firm," Ibrachy & Dermarkar draws widespread praise for its professionalism and exceptional partners. One client states: "This firm has the local knowledge – which other representative offices of international law firms may lack – while possessing international diversity and a good business understanding."

The firm's banking and finance practice is particularly strong, but it has been active in substantial transactions across all the corporate and commercial sectors this year. In banking, Ibrachy & Dermarkar advised the Arab Banking Corporation and Mizuho Corporate Bank as lenders of a three-year \$120 million facility to Banque Du Caire. It was Egyptian counsel to Standard Bank London as facility agent for a \$65 million loan to Melrose Resources, and at the time of writing is advising WestLB as it prepares to enter into derivatives and foreign exchange transactions with OTH in Egypt.

In the M&A sector, this year Ibrachy & Dermarkar provided advice to Indian corporation Tata Chemicals regarding its proposed acquisition of Egypt's National Fertiliser Company for an estimated \$500 million. Ashraf Elibrachy, the lawyer who fronted Ibrachy's advisory team, was described by the client as having "considerable knowledge and experience of Egyptian law and legal aspects of M&A deals". He is further praised for possessing "a good understanding of business perspective" and "knows how to address the problems experienced by foreign investors". Another major M&A deal the firm acted on was the merger of Credit Lyonnais with Credit Agricole Indosuez.

Ashraf Elibrachy also advised on all of Ibrachy & Dermarkar's main project finance transactions this year. The firm represented investment bank MCC as arranger for a \$50 million loan to Flat Steel Invest Holding and Steel Investment Holding, and provided counsel to Orascom Telecom Holding on the financing of a GSM mobile telecommunications network in Tunisia. It also acted for Siemens in connection with a \$36 million supplier credit agreement.

Ibrachy & Dermarkar's enviable client list also includes Motorola, Pfizer, Atlantic Group, Calyon and the World Bank.

Apart from Ashraf Elibrachy, the other star lawyer at the firm is Bahieldin Elibrachy, who is highly recommended for his advice to international investors. Clients refer to him in glowing terms as "very experienced," "well connected" and "ethical".

Leading lawyers

Ashraf Elibrachy
Bahieldin Elibrachy

Key contact partners

Ashraf Elibrachy
Bahieldin Elibrachy

Kosheri Rashed & Riad

Kosheri Rashed & Riad is described by almost all of its competitors as “very good in arbitration,” and Ahmed El-Kosheri is widely considered to be the best arbitration specialist in Egypt. This said, its corporate and commercial practice has a good reputation, and Tarek Riad and Hala Riad in particular draw praise for their capital markets expertise.

The bulk of Kosheri Rashed’s standout transactions are in capital markets, and the firm is a member of the committee responsible for drafting law rehabilitating the capital markets in Egypt. The firm’s largest project finance deal this year was advising United Group in connection with a highway development in the country.

Clients of the firm include Bank of America, CIIC (Egypt’s largest investment bank), Philip Morris and Salomon Smith Barney.

Leading lawyers

Hala Riad
Tarek Riad

Key contact partners

Ahmed El-Kosheri
Hala Riad
Tarek Riad

Shalakany Law Office

Shalakany is the largest of the Egyptian law firms, with 15 partners and 50 associates engaged in areas such as banking, capital markets, M&A, insolvency, aviation, labour law, foreign investment, tax and intellectual property. Aside from its head office in Cairo, it also has two smaller subsidiary offices in Alexandria (Egypt) and Dubai (United Arab Emirates).

The firm is widely regarded as “the market leader in banking” – not just in Egypt, but for the entire Middle East region. Monica Zulficar, who is considered “very much a leading lawyer,” heads the department and regularly spearheads Shalakany teams advising on banking and corporate finance transactions. For example, she was the main lawyer in the firm’s highest-profile M&A transaction of the past year, advising ASEC Helwan Cement Company in relation to its buyout of Helwan Portland Cement. She has authored numerous articles on Egyptian law, and is the recipient of several awards in the fields of international business law and human rights.

Zulficar was also the principal lawyer acting on Shalakany’s biggest financing deals: over the past year the firm advised a consortium of Egyptian banks on a \$57 million debt restructuring package for El Ezz Steel Rebars Company, and represented another Egyptian banking syndicate in relation to a \$70 million

term loan to the Egyptian Natural Gas Holding Company. She was also Shalakany’s main negotiator when it advised Misr International Bank, the National Bank of Egypt and Banque Misr on a \$185 million global facility agreement with Alexandria Fertilizers.

Shalakany is the Egyptian member of international independent law firm network Lex Mundi, and is also part of the International Trade Mark Association (INTA).

Leading lawyer

Mona Zulficar

Key contact partners

Mohamed Sameh Amr
Ashraf Ihab
Mona Zulficar

Trowers & Hamlins**in association with Nour Law Office**

Trowers & Hamlins is a London-based firm, but has operated from a subsidiary Cairo office in association with local partnership Nour Law Office since 1999. The team of seven lawyers is headed by partner Sarah Hinton, who has more than nine years’ experience in Egypt and who is also vice-chairman of the British Egyptian Business Association. She has particular expertise in advising on corporate refinancings, capital markets transactions and project finance matters.

The firm acts on most corporate and commercial matters, especially banking and capital markets, M&A, oil and gas, IT law and construction. The highlight of this year’s deals saw the firm representing Vodafone in relation to a joint-venture deal with Egypt Telecom worth \$123 million, entailing the setting up of a new company holding a 51% stake in Vodafone Egypt Telecommunications.

The firm has been particularly active in project finance. It advised the Jordanian Ministry of Energy and Mineral Resources regarding the construction of a cross-border gas pipeline between Egypt and Jordan, and has consistently represented Kingdom Hotel Investment Group on its acquisition of interests in various tourism developments. Trowers & Hamlins was also local counsel to the Export-Import Bank regarding the construction of an ammonia plant in a free zone in Egypt, in a deal worth \$300 million.

The firm’s recent banking transactions include advising the Egyptian American Bank on the restructuring of a \$75 million loan, and acting as counsel to the lenders in connection with an \$80 million secured lending facility to finance the equity contributions to Egypt LNG.

Trowers & Hamlins’ other clients include HSBC, Royal & Sun Alliance and Barclays.

Leading lawyer

Sarah Hinton

Key contact partner

Sarah Hinton

Zaki Hashem & Partners

Zaki Hashem “mainly focuses its business on the petroleum and gas sector” and its strengths lie in advising on project financings and complex M&A transactions. It also handles some noticeable banking work from time to time, and has previously represented high-status clients such as Citibank, Deutsche Bank and Arab Bank.

The firm has a well-established relationship with the Egyptian government, and it has participated in a number of privatization deals as a result. Zaki Hashem is also seen as a leading practice in structured finance and investment funds. Yasser Hashem was cited several times by interviewees as the firm’s top lawyer.

Leading lawyer

Yasser Hashem

Key contact partner

Yasser Hashem