

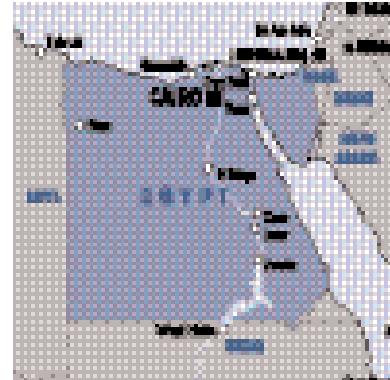
Egypt

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



Recent corporate banking legislation in Egypt

Frederique Leger and Bridget McKinney
Denton Wilde Sapte
Cairo

During the last two years, the promulgation of three pieces of legislation has significantly affected and modified the Egyptian legal framework in the corporate finance area. These new laws are the new Central Bank Law, Decree 506 of 2003 reorganizing the transfer of export foreign exchange earnings and Decree 553 of 2002 amending the executive regulations of the Capital Market Law with respect to margin trading.

New Central Bank Law

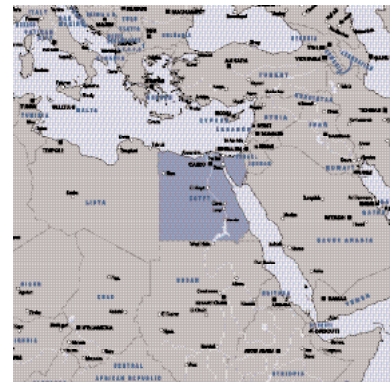
The new Central Bank Law, gazetted on June 15 2003, reorganizes the Central Bank of Egypt to give it substantial supervisory power and control over the public and private banking system. It also regulates bank secrecy and security, including mortgage pledges. The executive regulations pertaining to the new law are expected to be published very soon.

The new law sets new capital adequacy rules and imposes on the banks a minimum capital amounting to E£500 million (\$80.8 million), caps equity ownership in banks at 10% and limits lending to a single borrower to a maximum of 30% of the bank's capital (subject to any reduction decided by the Central Bank); it prohibits lending by banks to their board members, auditors, or their relatives to the second degree; it establishes a central reporting system to record all loans, guarantees and credit facilities granted; and it imposes on both private sector and public sector banks strict audit requirements and other controls, including close scrutiny of how borrowers use loan and credit facilities granted to them.

The new law also requires the Central Bank to create a deposit insurance fund to be funded by the banks' annual subscription fee. The new provisions governing security by mortgage or pledge simplify and clarify long-standing ambiguities in the law related to the registration, perfection and enforcement of such security that put priority and enforceability in some doubt. Importantly, the new law also supersedes previous legislation related to foreign currency and foreign exchange and prohibits foreign exchange transactions except through authorized banks and dealers.

Ministerial Decree 506 of 2003 reorganizing the disposal of certain foreign exchange resources

This controversial decree rather took Egypt by surprise when it was introduced on March 27 2003. It requires that all public and private companies operating in Egypt that receive revenue in hard currency must deposit such proceeds in licensed banks in Egypt within one week of receipt, and must convert 75% of such proceeds into Egyptian pounds at the declared exchange rate on the date of selling. The bank, however, has the right to



retain for itself, out of the 75%, an amount in hard currency sufficient to fulfil the clients' obligations when it exceeds the 25% of the proceeds in hard currency. Only private establishments operating in the special economic zone and in the free zones are exempt from the provisions of this decree.

Ministerial Decree 139 of 2003, published just three days after Decree 506, amends the Import and Export Law, reinforces Decree 506 and sets forth penalties for violation, including the suspension of a business's trading licence for a period of six to 12 months and cancellation of the licence itself. It also provides that the exporter shall "transfer the whole proceeds of its export to his with one of the licensed banks in Egypt within a maximum period of three months from the date of completion of the export transaction". The Egyptian exporter is therefore not legally entitled to repay a debt by assignment of receivables or to offer to its client any payment facility exceeding three months without the prior approval of the Minister of Foreign Trade. Furthermore, it is debatable whether the exporter is still legally entitled to use factoring services, as he will not receive the entirety of its export proceeds.

These were understood to be temporary measures to bolster the hard currency liquidity in the Egyptian money market in the short term. However, about one year after their introduction, these decrees are still part of the Egyptian legal framework and implemented by the authorities, even though their constitutionality is being questioned.

Decree 553 of 2002

Decree 553, issued on September 30 2002, amends the Capital Market Law by authorizing and organizing the margin trading of securities on the Cairo and Alexandria Stock Exchange.

The new Capital Market Law provisions entitle brokerage companies, having obtained the prior approval of the authority, to perform margin trading on pre-approved securities fulfilling the norms set out by the stock exchange administration within the following limits: (i) the minimum net capital of the brokerage company must not be less than 15% of the company's obligations; (ii) the debt of a customer (or associated group of customers) must not exceed 10% of the company's funds available for marginal trading; and (iii) the customer must settle at least 50% of the price of the securities purchased on its account.

Before transacting a margin trade, the brokerage company, the customer and the securities custody trustee must enter into a written agreement stipulating, among other things: (i) the type of securities to be purchased; (ii) the percentage of cash settlement (which cannot be below 50%); (iii) the value of the expenses, commissions and financial costs due in consideration of the trade and the method of settlement; (iv) the customer's right to pay back the balance of the price of the securities at any time; and (v) the customer's undertaking not to dispose of the concerned securities without the prior approval of the brokerage company.

Banking and capital markets

Recommended firms

Helmy Hamza & Partners/Baker & McKenzie

Shalakany Law Office

Zaki Hashem & Partners

Denton Wilde Sapté

Ibrachy & Dermarkar

Kosheri Rashed & Riad

Sarwat A Shahid Law Firm

Al Kamel Law Office

Hassouna & Abou Ali

Trowers & Hamlin

Mergers and acquisitions

Recommended firms

Helmy Hamza & Partners/Baker & McKenzie

Shalakany Law Office

Zaki Hashem & Partners

Al Kamel Law Office

Denton Wilde Sapté

Ibrachy & Dermarkar

Sarwat A Shahid Law Firm

Hassouna & Abou Ali

Kosheri Rashed & Riad

Trowers & Hamlin

Project finance

Recommended firms

Helmy Hamza & Partners/Baker & McKenzie

Shalakany Law Office

Denton Wilde Sapte

Ibrachy & Dermarkar

Zaki Hashem & Partners

Al Kamel Law Office

Kosheri Rashed & Riad

Helmy Hamza & Partners/Baker & McKenzie

Helmy Hamza & Partners, which acts as the Egyptian operation of US firm Baker & McKenzie, is one of the top corporate finance practices in the country. It is particularly recommended in project finance, where peers say the firm “has the largest market share along with Shalakany Law Office”. Samir Hamza, who is “well connected” and “does a lot of good public relations work for the firm,” is also recommended for his project finance experience. As a general finance partner he is referred to as “the legal powerhouse of Baker & McKenzie”.

Project finance clients include many local and international banks, and the firm specializes in advising on build-operate-transfer (BOT) agreements, which are key to the development of private sector involvement in large-scale projects in Egypt. The firm also acted on the financing of the El Behera project in Egypt, which was innovative in allowing the project company for the first time to expand its plant without reopening negotiations with its lending banks. Baker & McKenzie advised the project company on Egyptian law, alongside Shearman & Sterling and opposite Al-Kamel Law Office, Slaughter and May and Cleary Gottlieb Steen & Hamilton.

In capital markets the firm has worked on several initial public offerings (IPOs), including acting for ABN AMRO on the Telecom Egypt IPO. Baker & McKenzie has close relations with the Egyptian government, which has led to the firm’s involvement in drafting laws in the finance and privatization sectors.

Recent mergers and acquisitions work takes in representing a multinational purchaser on an acquisition in the Egyptian pharmaceutical sector and working on the local aspects of Compaq’s merger with HP, as well as advising Bayer on the sale of its Egyptian business and Norturistic on the acquisition of Thomas Cook in Egypt.

Key contact partners

Samir Hamza
Taher Helmy

Leading lawyers

Samir Hamza
Taher Helmy

Denton Wilde Sapte

in association with El Oteifi Law Office

The Cairo office of UK firm Denton Wilde Sapte is not the biggest firm in Egypt, with two partners and 19 associates committed to corporate and commercial work, but it does have a strong reputation for the quality of its work.

The firm’s recent finance work includes advising Bank of Tokyo-Mitsubishi as Egyptian counsel on a \$200 million syndicated facility in January 2004, advising Shamil Bank on the preparation of a legal opinion regarding the guarantee of a Morabaha financing agreement amounting to \$10 million in December 2003, acting for BNP Paribas on a secured and syndicated \$100 million pre-export facility to the Egyptian General Petroleum Corporation and the same bank on a \$160 million aircraft finance, and representing Afrexim Bank on a \$180 million borrowing facility in October 2003, the facility being documented and negotiated by Denton Wilde Sapte’s London office.

The firm has also done groundbreaking work in asset finance and aircraft financing, and a great deal of oil and gas financing for HSBC and Air Banking Corporation.

Key contact partners

John Matouk
Bridget McKinney

Leading lawyer

Bridget McKinney

Hassouna & Abou Ali

Name partner Ahmed Abou Ali is highly recommended for his M&A advice. He “stands out for his due diligence work, being a good negotiator and giving good legal support.” Abou Ali founded the firm in 1987 with Mohammed Hassouna after US firm Sidley Austin Brown & Wood closed its Cairo office. Hassouna was a partner at the Cairo office and Abou Ali at Sidley’s Chicago office. Hassouna and Abou Ali, Cambridge and Harvard graduates respectively, have since established a solid reputation for the partnership and its associates.

The firm acted as Egyptian counsel for Kraft on its acquisitions in Egypt, including the \$80 million purchase of Family Nutrition. In banking it advised Coca-Cola on the capitalization of a local subsidiary, while other banking and finance clients include Daimler-Chrysler, Johnson & Johnson, Société Générale and the Dow Chemical Company.

Key contact partners

Ahmed Abou Ali
Mohammed Hassouna

Ibrachy & Dermarkar

Ibrachy & Dermarkar has four partners, two counsel and three associates working in Cairo. The firm is a member of the Tag Law association and Employment Law Alliance and has a stake, together with other Iraqi and Egyptian lawyers, in Idilaw in Baghdad, Iraq.

Two of the firm's partners, and one counsel, are considered to be leading lawyers in Egypt, a testament to the quality of its staff. These are Ashraf Elibrachy, Bahieldin Elibrachy and Jim Wright respectively. Wright, who is also qualified in the UK, is recommended as "very good" and "highly technical".

Finance work is the firm's key practice area. The firm is "strongest in banking and capital markets" and "does more financing than the others" according to its peers. Work last year included advising Crédit Lyonnais and CDC on financing an international telecoms company's Algerian subsidiary, advising DSM on the purchase from Roche of its Egyptian vitamins and fine chemicals business, acting on the merger of the Egyptian subsidiaries of two international banks, and advising on a parent company guarantee for an equipment supply in Iraq.

Ibrachy is also one of the oldest firm's in Egypt, which adds yet more to its reputation.

Key contact partners

Ashraf Elibrachy
Bahieldin Elibrachy
Jim Wright

Kosheri Rashed & Riad

Ahmed El-Kosheri is "one of the best lawyers for arbitration in the country" and, as such, is not generally considered to be a leader in corporate finance work. But his partner Tarek Riad is one of the most highly regarded capital markets lawyers in Egypt, and is the exclusive advisor to the government on the formation of new banking and capital markets laws. He is, unsurprisingly, an expert on financial law in Egypt as a result.

The firm's clients include EFG-Hermes Holding Company, one of the biggest securities outfits in Egypt; CIIC, the largest Egyptian investment bank; Salomon Smith Barney; Fiduciary Trust Company International; and the Bank of America.

Project finance is also a strong area for the firm. Among recent highlights, it was involved in the biggest project finance deal last year, a toll road spanning the Mediterranean across to Sudan. Other project finance clients include Kuwait Finance House, Philip Morris and the United Group for Highways Development.

Key contact partners

Ahmed El-Kosheri
Hala Riad
Tarek Riad

Leading lawyer

Tarek Riad

Shalakany Law Office

Mona Zulficar at Shalakany Law Office "has an excellent reputation in finance and banking" and "does a lot of public work". This surely contributes to the fact that the firm itself has a "top reputation in banking" and is seen as one of the leading law firms anywhere in the Middle East.

Zulficar worked on the unprecedented \$500 million loan granted to EgyptAir, the first Egyptian build-operate-transfer power plant in Sidi Krir for Intergen, the first GSM telecom concession to Mobinil, and initial public offerings for CIB, Mibank, Suez Cement, Pachin, Al Ahram Beverages and EFG-Hermes, among others.

The firm was founded in 1912 by Abdel Fattah El Shalakany, who became president of the Egyptian Bar Association in 1950. Since then the firm has evolved into the largest in Egypt, with over 60 partners and associates in its offices in Cairo and Dubai.

Key contact partner

Mona Zulficar

Leading lawyer

Mona Zulficar

Zaki Hashem & Partners

Although Zaki Hashem is ranked in the top tier for banking and capital markets as well as mergers and acquisitions, the firm is seen as a corporate specialist in Egypt, spending most of its time advising on privatization, takeovers and litigation. Its placing in the top tier for finance work is due to the high quality though low volume of its work in this area.

Strong government contacts have enabled the firm to play a leading part in the privatization process in Egypt. Zaki Hashem has also maintained a deep client base for merger activity.

In finance the firm is highly recommended for structured finance and investment funds work, leading negotiations on the construction of a securitization framework in Egypt and advising a raft of international banks on their investments in the country. Recent clients include Deutsche Bank, Citibank and the Arab Banking Corporation.

Managing partner Yasser Hashem is considered by the market to be one of the choice band of leading corporate finance lawyers in Egypt.

Key contact partner

Yasser Hashem

Leading lawyer

Yasser Hashem