



## N E W S F L A S H



### **New regulations for non-banking financial services firms and new publication regulations**

By Omar Sherif and Haidy Ahmed

The newly appointed board of directors of the Financial Regulatory Authority (the "FRA") has adopted new rules to govern (i) the incorporation, licensing and trading of shares in non-banking financial services (the "Services") by firms undertaking the Services (the "Firms"); and (ii) the publication means for listed companies and companies which have offered their shares in an initial public offering (the "Companies").

The above regulations are introduced by the FRA Decrees No. 53 of 2018 (the "Firms Decree") and No. 55 for 2018 (the "Publication Decree"), both dated April 26th, 2018. Both Decrees have not been yet published in the official gazette; however, they should enter into force on the day following their publication.

Below are the highlights of the Decrees:

#### **Scope**

The Firms Decree defines Firms (which are within the Firms Decree's scope) as the companies undertaking one or more of the main following Services: securities' related services including investment funds and securitization services, insurance services, real-estate financing, refinancing and valuation services, financial leasing, factoring and micro financing.

## Licensing

Undertaking one or more of the Services is subject to the FRA's approval in light of, inter alia, the market needs as determined by the FRA or providing/developing new products.

A temporary license application shall be submitted by the Firms and fulfill mainly the following: (i) for certain Services, at least 50% of the share capital must be held by legal persons and at least 25% of the share capital must be held by financial institutions (as defined by the Firms Decree); (ii) submitting a technical and economic feasibility study; and (iii) disclosing ultimate beneficiary owners.

Firms must complete the establishment procedures within 6 months, obtain the final license within 3 months from establishment and implement the Service(s) within 6 months from obtaining the license.

The Firms Decree further provides certain conditions to be fulfilled by the legal persons mentioned in (i) above including not being bankrupt or in a cessation of payment position, not being subject to ongoing criminal proceedings by the FRA and not having final criminal judgments issued against it for certain breaches.

## Shareholding

The Firms Decree sets forth an obligation for all entities holding 5% or more of the Firms to disclose their shareholding to the FRA within two weeks of reaching the 5% threshold.

Regarding acquisitions, the Firms Decree sets forth an FRA approval requirement for shareholders already owning 10% or more of the capital of a Firm before acquiring 5% or its multiples of the capital or voting rights in such Firm, whether directly or indirectly and whether solely or together with related parties.

An FRA approval must be obtained in case of acquiring more than one third, one half, two thirds or three quarters of a Firm with a market share exceeding 10% for any of the Services.

The Firms Decree outlines the documents required for the FRA approval application and the additional documents required in case the applicant intends to acquire more than 25% of the capital or voting rights in a Firm.

The FRA studies the application and provides its approval considering (i) the applicant's and its related parties' shareholding in the target Firm and the other Firms undertaking the same Service(s); (ii) criminal judgments and bankruptcy judgments issued against the applicant; and (iii) pending investigations by the FRA against the applicant.

## Publication

The Companies shall abide by the newly adopted publication rules under the Publication Decree as outlined below:

- \* Prospectuses for initial public offerings in the issuance market - to be fully published on a website dedicated by the FRA. A summary shall be published in an Arabic widely spread newspaper.
- \* Initial public offerings prospectuses, listing or commencement of trade disclosure statements - to be fully published on a website dedicated by the FRA, the Company's website and EGX monitors. A summary shall be published in an Arabic widely spread newspaper.
- \* Annual and cyclical financial statements, clarifications and the auditor's report - to be published on a website dedicated by the FRA or the Company's website and EGX monitors if the Company is listed. A summary shall be published in an Arabic widely spread newspaper.
- \* Disclosure statements of material events - to be published in an Arabic widely spread newspaper for companies having offered their shares in an IPO. The Company must maintain any relevant data at its head office or its branches for its shareholders. In case of listed companies, the statements are to be published on their websites and the EGX monitors.

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