Financial Regulatory Authority (FRA)

FRA BOD Decree No. 30/2024, dated 31/1/2024

Promulgating the Standards for the Recognition of Local Voluntary Carbon Registries

The Board of Directors (BOD) of the Financial Regulatory Authority (FRA)

In pursuance of the Law No. 95 of 1992 promulgating the Capital Market Law and its executive regulations;

And the Law No. 10/2009 regulating the Supervision of Non-Banking Financial Markets and Instruments;

FRA Board of director Decree No. 57 of 2023 on the Committee of supervision and control over carbon emission reduction and its competencies;

And FRA Board of director Decree No. 163 of 2023 on the FRA enrollment standards of the Verification and validation bodies (VVB) for carbon emission reduction projects;

After the presentation on the supervision and monitoring committee on unites of carbon emission reduction in its meeting on 29/1/2024;

After the agreement of the FRA Board of Director on 31/1/2024;

Decree:

(Article 1)

Application Scope

The provisions of this decree shall apply on the required standards to adopt voluntary local carbon registers with the FRA for the purpose of registering carbon emission reduction projects and issuing carbon emission reduction certificates that can be traded on the voluntary market on Egyptian exchanges.

The international voluntary carbon registers, which recognized by International Carbon Reduction and Offset Alliance (ICROA), recognized as well by the FRA without the need to meet the requirements of this decree.

(Article 2)

1- **Certificates of carbon emissions reduction (Carbon Credits)**:

Carbon credits are tradable financial instruments representing greenhouse gas emission reduction units, where each credit represents "one" tonne of greenhouse gas equivalent (CO2e). Carbon credits are issued to the developer of the reduction project after the completion of verification and validation processes that shall be implemented in accordance with internationally recognized carbon emission reduction standards and methodologies carried out by domestic or international verification and validation bodies (VVBs) registered in the Authority's record prepared for this purpose.

2- **Project Developers:**

Entities responsible for implementing carbon reduction projects under which carbon credits are issued in the Carbon Credits Registries after the approval of Validation and Verification Bodies.

3- **Standard Programs Setters:**

are the entities setting out the basis and methodologies for measuring carbon emission reductions according to internationally recognized methodologies, including the United Nations Framework Convention on Climate Change (UNFCCC) methodologies and the methodologies adopted by the International Carbon Reduction and Offset Alliance (ICORA), or in accordance with the methodologies adopted locally by the relevant government agencies.

4- **Carbon Credits Registries:** Electronic, centralized data repositories including records of the issuance, registration, and tracking ownership transfer of carbon credits resulting from the implementation of carbon emission reduction projects in accordance with methodologies established by Standard Programs Setters.

5- **Entities Establishing Voluntary Carbon Registries:**
Owners, custodians, and managers of voluntary carbon registries.

6- **Carbon impartiality/ neutrality:**
Is the balance between carbon emissions and actions to limit or offset such emissions to minimizing carbon emissions and compensating for irrelevant access to zero carbon emissions**.**

(Article 3)

Requirements for adopting the voluntary carbon registers at FRA

The voluntary carbon registers shall meet the following requirements to adopt it by FRA:

Firstly: Public Requirements.

1- Carbon emission reduction projects shall be registered in the registry in accordance with specific rules and procedures approved by the registry's originator.
2- The register should allow tracking of the transfer sequence of carbon emission reduction certificates from issuance to transfer of ownership to cancellation to use it in the final purpose, achieving carbon neutrality.
3- Each project shall have its own standard identification number.
4- Each certificate shall have its own standard identification number.
5- Make available and disseminate all basic information for carbon emission reduction projects, including project description, follow-up reports, verification, certification report and legal data.
6- The registry's rules of operation shall include indications that carbon emission reduction projects registered with it should not be registered with any other registers.
7- The register should conclude a contract with the project developer that shall determine each party's rights and obligations.
8- The register should link itself with settlement and clearing companies licensed by the FRA as well as exchange data electronically, in particular transport sequence data ownership of certificates.
9- The register should provide the FRA with terms, conditions and conditions of use.

Secondly: Verification and validation requirements

1- Appoint an executive director, by the decision of the board of director of the register's originator, to supervise the register's activities, and may be among the members Board of Directors of this originator.
2- The register must have a list of the verification and certification entities names adopted by it in accordance with the adopting requirements and standards issued by it, taking into account the provisions of the FRA Board of Directors' decree No. 163 of 2023.
3- The register should identify sectors, which carbon emission reduction projects are registered in it.
4- The register must have rules in place to ensure that there is no conflict of interest between the register's originator or project financiers and the verification and validation bodies.

Thirdly: Governance Requirements.

The register's originator must have the following governance requirements:

1- To have a clear organizational structure commensurate with the requirements of the size of the activities, including the availability of a number of employees, job descriptions and their scientific qualifications. Additionally, professional experiences commensurate with the responsibilities and tasks entrusted to them.
2- The members of the Board of Directors or those responsible for the entity should not have any direct or indirect interest in the works and contracts in favor of the register in areas related to the voluntary carbon record-keeping activity.
3- Obtaining prior approval from the General Assembly or acting in its place in other legal persons in the case of contracts in which there is a personal interest of a member of the Board of Directors or responsible for the entity and this is evidenced by the minutes of the competent authority's meeting. Additionally, it is not permissible to participate in any of the categories referred to herein.
4- One or more Governing Council committees called the "Information Technology Governance Committee" which responsible for overseeing the implementation of the information technology governance framework, ensuring the adequacy of the work cycle and those responsible for its implementation, submitting observations and recommendations and proposing such amendments as it deems appropriate to ensure the effective functioning of the work cycle. In addition, one or more Governing Council committees called the "Technology Risk Management and cyber Security Committee" which responsible for overseeing the implementation of the risk management Technology and cybersecurity framework. Moreover, ensure the adequacy of the work cycle and those responsible for its implementation, submit observations and recommendations, and propose amendments it considers to ensure working effective..
5- Undertake the Board of Director members' commitment to take adequate care to carry out voluntary carbon record-keeping activities.

Fourthly: Information systems requirements (applications and databases).

1- Availability of a separate "issuance system" for the organization of verification, validation and field examination. This system should be supportive for the documentation cycle between the registry (voluntary carbon register), the issuer (project developer) and the specialized

professional issuers (verification and certification entities) who are responsible for the valid of the system version, Specifying the terms of reference/powers of each user.

2- The availability of (register system) to manage the chain of ownership of carbon emission reduction certificates, which should be supportive for registration, adjustment and cancellation processes of the carbon emission reduction certificates. It also provides access to effective data. It also allows connectivity with other systems through the application-programming interface in accordance with the conditions and specifications specified by the responsible authorities, including the system of settlement and clearing companies and the trading system. Additionally, specifying the competencies of each user and ensuring that there is a system for storing and retrieving transactions, activity data and records for at least five years.
3- The prior approval from the FRA is a condition to amend any program or system.
4- The system should have easy, clear usage interface user, which allow easy transition and access to information for different users, including project developer, validation and verification bodies, Customers and the public.
5- The system should have an easy, available and multilingual application. This application should be reached from different multi-uses electronics and Key Operating Support Systems or submit a timetable plan to enable the register to activate the application on various electronic devices.
6- The system should have Secure mechanisms for encryption of entry registration and regular security audits, and protecting sensitive data and user privacy.
7- The system should have clear data model to identify data classification, data determinants, data document and promoting interoperability.
8- The system should have database comply with different, relative systems and platforms, and allow the data exchange easily in needed.
9- The system should have secure, scalable database, which able to handle data with high efficiency and safety.
10- The system should draft backup copies of data with a clear structure that facilitates effective retrieval, modernization and management that ensures continuity in the system's failure.

11- The system should have comprehensive, clear audit procedures and audit account to monitor any attempt to manipulate all registry transactions to ensure transparency and traceability.

12- The system should have procedures that ensure control and compliance to relative Standards, regulations and methodologies that applied in the voluntary carbon market.
13-the system should have mechanisms provide disclosure instruments and draft the different, required reports to all relevant parties.
14-the system should have mechanisms allow dealing efficiently with Increased ratios of data and users.
15- The system should continuously monitor performance and regular updates.
16- The system should provide comprehensive training materials, including evidences, common questions, educational videos to educate the users how to use the register. In addition, it should offer the technical support to the users.
17- The system should provide mechanisms for integrating users' feedback to improve system performance.

Fifthly :Technological infrastructure requirements.

1- The register should provide computers and storage instruments with capacities appropriate to the requirements of the systems (applications and databases), and it should provide exchange information using licensed, operating systems and software with a design that provides continuous non-stop work.
2- The register should provide networks and means of communication (linkages) with capacities suited to computer and storage requirements using robust safety protocols with a design that provides for non-stop permanent work.
3- The register should provide the security, protection mechanism, such as:
   a) Firewall.
   b) Prevention Intrusion.
   c) Protection Point End.
   d) Regular update for the operating system and software.
   e) Access control and authority management by using multi-factor verification techniques as well as good password management and update it regular. In addition, prevent the user entry from more than one device and not allow inactive communication to be maintained.
   f) separation between different systems when using a virtual environment.
   g) Encrypt data in circulation by using appropriate encryption and certificates techniques.
4- The register should make Test Penetration to measure the security of networks and data once a year at least, and it should deliver a copy of these tests to the FRA.

5- The FRA must be informed when Incident Security occurred in the technological structure of the information and systems on which it operates.
6- The register should provide Synchronization Time mechanisms for all systems and the devices installed on these systems on the timing, which is similar to the timing of settlement and clearing companies' systems and trading systems.
7- The register should provide Events Logging mechanisms, for the events occurred, on all systems and devices, saving all event records for 5 years at least through unrepeated number for each event and for each system with the event time.

Sixthly: Infrastructure Requirements for supplies- fitting.

1- The register should provide infrastructure for supplies at the headquarters and other emergency reserve headquarters (Environment Recovery Disaster) with the same specifications, capabilities and capacity suited to technological infrastructure requirements and needs:
   a) Sources of energy.
   b) Temperature and humidity control systems.
   c) Fire-fighting alarm systems.
   d) Camera surveillance systems.
   e) Physical ? entry and exit control systems for individuals and devices, and with a design that provides permanent work non-stop.
2- The register should provide physical ? secure mechanisms and control of entry and exit to and from data centers. In addition, entry and exit records should be saved for 3 months at least to revise it in needed.
3- The register should provide environmental controls inside data centers to ensure perfect performance for different devices and systems.
4- The register should provide reliable, backup system mechanisms to save the energy.
5- The register should provide effective mechanisms for energy using to reduce carbon footprint to minimize

(Article 4)

Application for adopting with the FRA

The register wishing to be adopted with the FRA should meet the model of the FRA’s request for adopting- accreditation for the maintenance of voluntary carbon records. This request should include documents indicating fulfilling the requirements for accreditation as referred to in this decree and any documents which the FRA considers necessary.

The FRA shall decide on the application for registration within 30 days from the date of submission of the documentation supporting it.

(Article 5)

Minimum information for voluntary carbon registers

The voluntary carbon market (VCM), adopted from the FRA, should save the minimum information as following:

Firstly: information of project description.

1- Project name and its common identification code.
2- The geographical location of the project and its coordinates.
3- Project developer's name.
4- Name of verification and validation body.
5- Project period.
6- Summary of project returns (general, climate, societal and biodiversity).
7- Number of carbon emission reduction certificates issued annually and date of issuance.
8- Project status (registered, certified, verified, completed, rejected or cancelled).

Secondly: information of carbon emission reduction certificates.

1- Number of certificates issued and date of issuance.
2- Sequence of ownership of certificates in the registry.
3- The current balance of the number of the existing certificates and its date.
4- Number of executed certificates.
5- Main data on the owner of the certificate, in particular his name and nationality.
6- Certificate status (exported, non-existent or expired).

(Article 6)

Field Examination Requirements

The voluntary carbon registers that adopted from the FRA, committed as following

1- Annual examine at least (40%) of total verification and validation operations of carbon emission reduction projects registered. This percentage may be reduced on the basis of justification provided by the register and accepted by the FRA, provided that the percentage is not less than (20%) in any case.

2- The examination sample should be statistically representative of most of the projects examined in terms of (location, verification and validation bodies, sizes and types Projects) taking into account high-risk projects.
3- The percentage of projects examined annually should not be less than 30% of total registered projects.
4- Attendance of the register representatives with the verification and validation team at the time of the field visit to inspect carbon emission reduction project sites.
5- Audit of detailed verification and validation reports and documentation of results reached during the field examination process.

(Article 7)
The measures

In the case of violate this decree or the criteria issued by the FRA in this regard, the Board of Directors of the FRA shall take one or more of the following measures:

1- Alert the violator to remove the violation and schedule a date for eradicate this violation.
2- Temporary suspension for a period not more than six months.
3- Write-off of the register with no adoption once again from the FRA until 6 months later.
4- Write-off of the register with no adoption once again from the FRA.

(Article 8)

Charman of the FRA

DR. Mohamed Farid Saleh