

Financial Regulatory Authority of Egypt (FRA)
FRA Decree No. 31/2024 Dated January 31st, 2024
Promulgating Rules and Regulations of Listing & Delisting Carbon Credits

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

In pursuance of Law No. 95 of 1992 promulgating the Capital Market Law and its Executive Regulations,

and FRA BoD Decree No. 11 of 2014 Stating the EGX Listing and Delisting Rules,

and upon the approval of FRA BoD during its meeting held on January 31st, 2024,

Decrees:

(Article 1)

Scope of Application

Provisions stated herein shall be applied to the rules of listing and delisting carbon credits issued in the voluntary carbon markets (VCMs) of the Egyptian stock exchanges.

(Article 2)

Definitions

In application of the provisions stated herein, the following definitions shall, wherever they are stated, have the meanings indicated **opposite** to each one of them:

1- Carbon Market: It is a voluntary market for trading carbon emission reduction credits on the Egyptian exchanges.

2- 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.

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- 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.

7- Validation & Verification Bodies (VVBs): Entities carrying out validation and verification processes to ensure **the** compliance of **the** projects with requirements of reduction standards and methodologies approved by Standard Programs Setters.

8- Clearing Houses: Clearing firms licensed by the Authority to carry out financial settlement of carbon credits.

9- Specialized Committee: A committee formed at the stock exchange by decision of its board. The committee shall be responsible for supervising the processes of listing and delisting carbon credits.

10- Registration Applicant: Holder of carbon credits who wishes to list them on the stock exchange or his legal representative or anyone it authorizes.

(Article 3)

Terms & Conditions of Registering Carbon Reduction Projects at FRA

Application for registering carbon **reduction** projects, to which carbon credits were or will be issued, shall be submitted on the form prepared for this purpose to FRA

via the Carbon **Reduction** Projects Database. FRA shall issue a certificate indicating registration of the project in the database after presenting all of the following documents:

1. Application signed by the applicant.
2. A proof that carbon credits were issued after the Paris Agreement became enforceable.
3. For projects established in Egypt, a copy of the project's Environmental Impact Assessment (EIA) report approved by the Ministry of Environment.
4. A copy of reports of the Verification and Validation Bodies (VVBs) and the project design document for projects for which carbon credits were issued.
5. A copy of the VVBs reports and the project design document or a certificate indicating registration of the project **in** a voluntary carbon offset registry for projects for which carbon credits will be issued.
6. Any other documents required by FRA to register the project.

(Article 4)

Submitting Applications of Listing & Trading Carbon Credits

Application for listing carbon credits on the stock exchange shall be submitted on the form prepared for this purpose, enclosed with a certificate indicating registration of the project in FRA's Carbon **Reduction** Projects Database, a proof of opening an account at a clearing house licensed by FRA, and information memorandum or a disclosure report for trading such credits on the stock exchange. The listing application form shall include the following information:

1. Name of the Voluntary Carbon Credit Registry in which carbon credits were registered.
2. Registry's website.
3. Name of the project and its identification code.
4. Geographical location of the project.
5. Name of the Project Developer.
6. Time duration of the project.
7. Name of methodology used in issuing carbon credits.
8. Number of carbon credits issued for the project, number of carbon credits that should be available for trading on the stock exchange and to be transferred to the

account of the clearing house licensed by the Authority, and the initial price of each credit.

9. The project's link on the website of the Voluntary Carbon Credit Registry in which carbon credits were registered.

The stock exchange shall publish the carbon credits' listing application in accordance with the means prepared for this purpose.

The committee shall make its final decision regarding the listing application within five days from the date of fulfilling terms and conditions of listing requirements. Carbon credits shall be listed **upon** a decision from the Committee. The applicant shall be notified immediately with the committee's decision.

Carbon credits shall be traded in accordance with trading rules and regulations set forth by the stock exchange and approved by the Authority.

The stock exchange shall inform the Authority with all decisions issued by the Committee within three working days of the date of their adoption.

(Article 5)

Listing of Carbon Credits Forward Contracts

Owner or financier of the carbon emission reduction project may apply to the stock exchange to list carbon credits forward contracts that will be issued upon the project implementation. The contract shall include the following information:

1. Name of the project and its identification code.
2. Name of the Voluntary Carbon Offset Registry in which the project is registered.
3. The geographical location of the project.
4. Description of the project.
5. Number of carbon credits expected to be annually issued.
6. Contract and delivery conditions.
7. Quantities, price, and payment methods, taking into account cases of non-delivery or non-payment.
8. Confidentiality clauses.

Upon successful registration of the project in the Authority's Carbon Emission Reduction Projects Database and fulfillment of all listing requirements, the committee shall render its final decision on the listing application within five (5) business days.

Carbon credits forward contracts shall be traded in accordance with trading rules and regulations set forth by the stock exchange and approved by the Authority.

Prior to the owner's registration, the project financier must register its security interest in the Movable Guarantees Registry. Upon receipt of the collateral as specified in the contract, the clearing house shall notify the Registry of the creditor's rights.

(Article 6)

Disclosure Obligations

The holder of a carbon credit certificate shall promptly notify the stock exchange of any material information that could materially affect the trading of such certificates. This includes, but is not limited to, information pertaining to the projects from which the carbon credits were issued and any amendments made to the disclosures submitted with the listing application.

The clearing house shall inform the stock exchange of other information that should be disclosed. The stock exchange shall publish such information to traders through the means prepared for this purpose

Article (7)

Voluntary Write-off

Upon request of the carbon credit holder, all or a portion of their listed carbon credits may be delisted from the stock exchange's trading platform. This delisting can occur for the purpose of cancellation, either by the holder themselves or on behalf of another party, or for transfer to a non-tradable account within the Voluntary Carbon Offset Registry.

Article (8)

Compulsory Write-off

Carbon credits shall be compulsorily written off under any of the following cases:

- 1- The project was written off from the Carbon Offset Projects Database at the Authority.
- 2- Serious violation of the project's verification and validation procedures.
 - 1- Incompletion of the project.

The original owner or financier of the project should buy carbon credit certificates from those affected by the write-off at the average trading price in the last six months or at the

highest trading price in the last thirty days preceding the write-off decision, whichever is high.

Article (9)

Contesting the Committee's Decisions

The applicant has the right to appeal the Committee's decision to reject the listing or delisting application within fifteen (15) business days of receiving notification. The stock exchange shall issue a final decision on the appeal at the first regularly scheduled meeting following the appeal submission.

If the stock exchange supports the Committee's decision, the applicant may submit a petition to FRA within fifteen days of the date of notification of the stock exchange's decision.

Article (10)

This decree shall be published in the Official Gazette and posted on the website of FRA and EGX, and will be enforced on the following day the decision was published.

**Chairman of the Board of Directors
The Financial Regulatory Authority
Dr. Mohamed Fareed Saleh**