

## **Financial Regulatory Authority Board**

**Decree No. 30/2024**

Dated 31/1/2024

### **Criteria for Accrediting Local Voluntary Carbon Registries with the Financial Regulatory Authority (FRA)**

#### **In Accordance with,**

The Capital Market Law No. (95) of 1992 and its Executive Regulations,

Law No. (10) of 2009 for the Regulation of Non-Banking Financial Markets and Instruments,

Financial Regulatory Authority Board Decision No. (57) of 2023, and

Financial Regulatory Authority Board Decision No. (163) of 2023 and,

Following the recommendation of the Committee for Supervision of Carbon Emission Reduction Units, its meeting on 29/1/2024;

The Board of Directors of the Financial Regulatory Authority (FRA) resolves the following on 31/1/2024;

#### **(Article 1)**

##### **Application Scope**

The provisions of this decree shall apply to the required standards for recognizing voluntary local carbon registries by the FRA, for the purpose of registering carbon emission reduction projects and issuing carbon credits that can be traded on the Egyptian Voluntary Carbon Market Exchange "Africarbonex".

International voluntary carbon registries, recognized by the International Carbon Reduction and Offset Alliance (ICROA), are automatically recognized by the FRA with no need to meet the requirements of this decree granted they complete standard KYC procedures.

#### **(Article 2)**

##### **Definitions**

**In the application of the provisions stated herein, the following definitions shall, wherever they appear, have the following meanings:**

- 1. Certificates of Carbon Emissions Reduction** (Hereinafter referred to as "Credits"): tradable financial instruments representing units of reduced or removed greenhouse gas emissions, where each "unit" equals one ton of carbon dioxide equivalent emissions. These credits are issued in favor of the project developer upon the completion of the validation and verification process conducted according to the internationally recognized carbon emission reduction standards and methodologies, audited by the validation and

verification bodies, whether local or international, as that are listed in FRA's registry of VVBs.

2. **Project Developers** (hereinafter referred to as "Developers"): Entities responsible for implementing carbon emission reduction projects, under which carbon credits are issued in voluntary carbon registries after obtaining the approval of the validation and verification bodies licensed by FRA.
3. **Standard Programs Setters:** are the entities setting out the procedures for measuring carbon emission reductions according to internationally recognized methodologies, including the United Nations Framework Convention on Climate Change (UNFCCC) methodologies and other methodologies adopted by the International Carbon Reduction and Offset Alliance (ICROA), or in accordance with the methodologies adopted locally by the relevant government agencies.
4. **Voluntary Carbon Registries** (hereinafter referred to as "Registries"): Centralized systems that keep records and track the issuance, retirement, and transfer of the carbon emission reduction credits generated from carbon emission reduction projects conducted according to the methodologies issued by verified carbon standards programs
5. **Voluntary Carbon Registries Operators:** Entities that have the appropriate electronic systems to register the carbon credits after obtaining the approvals of the approved validation and verification bodies and resulted from implementing carbon emission reduction projects, whether according to methodologies acknowledged by the same voluntary carbon registry or any other recognized methodologies.
6. **Carbon Neutrality:** Is the balance between carbon emissions and the measures taken to minimize these emissions to achieve net zero emissions.

### (Article 3)

#### **Recognition Requirements for The Voluntary Carbon Registries by the Financial Regulatory Authority (FRA)**

The Registries shall meet the following requirements to be recognized by Financial Regulatory Authority (FRA):

##### **First: General Requirements:**

1. Carbon emission reduction projects shall be registered in the Registry in accordance with specific procedures approved by the Registry's Operator.

2. The Registry should allow ownership tracking and subsequent transfers of the Carbon Credits for issuance to retirement to achieve Carbon Neutrality.
3. Each project shall have its own unique identification number.
4. Each Credit shall have its own unique identification number.
5. Disseminate all needed information in regard to carbon emission reduction projects, including project description, follow-up reports, validation and verification reports and along with the available legal data.
6. The Registry's operational code shall include prohibition of double registration of carbon emission reduction projects, ensuring that registered projects cannot be registered in any other Registries.
7. The Registry shall conclude an agreement with the Project Developer, which shall specify the rights and obligations of each party.
8. The Registry should be able to be connected with settlement and clearing companies licensed by the Financial Regulatory Authority (FRA) and to exchange data electronically, specifically the data related to Carbon Credits ownership tracking.
9. The Registry should provide the Financial Regulatory Authority (FRA) with the conditions and terms of use.

### **Second: Validation and Verification Requirements**

1. The Board of Directors shall appoint an executive director to monitor the Registries activities. The Executive Director may be among the appointed members Board of Directors.
2. The Registry must have a list of approved Validation and Verification Bodies taking into account the provisions of the FRA's decree No. (163) of 2023.
3. The Registry should identify the sectors under which carbon emission reduction projects are to be registered.
4. The Registry must have rules and procedures preventing conflict of interest between the Registry Operator, Project Financer, and the Validation and Verification Bodies.

### **Third: Governance Requirements.**

The Registry Operator must have the following governance requirements:

1. Appropriate and clear organizational structure in accordance with the entity's business volume. This organization structure shall include the number of employees, job descriptions their qualifications, and professional experiences.
2. The Board of Directors shall show no direct or indirect interest in the contracts concluded in activities related to the voluntary carbon record-keeping activity.
3. In the case where a board member has a personal interest in any concluded contract, a prior approval must be obtained from the General Assembly or the acting legal entities, and this approval is to be documented in the competent authority's formal meeting minutes. Additionally, none of the parties mentioned in this clause shall be permitted to participate in any of the categories referred to herein.
4. One or more governing committees called the "Information Technology Governance Committee" must be formed to monitor 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 Cybersecurity Committee" also must be formed to overseeing the implementation of the Technology and cybersecurity risk framework shall be established. The committee also ensure the adequacy of the work cycle and implementation, submit observations and recommendations, and propose amendments to the board to ensure working effective.

5. The Board of Director members must commit to take the due diligence to carry out voluntary carbon record-keeping activities.

#### **Fourth: Information Systems Requirements (Applications and Databases).**

1. Availability of a separate "Issuance System" is required to organize both the validation and verification process, and field examination. This system should facilitate a documentation cycle between the Registry, the Project Developer, and the Validation and Verification Bodies, as well as identify the terms of reference and responsibilities of each user.
2. The availability of a "Registry System" is required to manage the ownership transfer of carbon credits. This system should support registration, adjustment, and retirement processes, and provide access to effective data. It should also allow connectivity with other systems through the application programming interface (API), in accordance with the terms specified by the authorized entities, including the settlement and clearing companies' system and the trading system. Additionally, it should specify the competencies of each user to ensure that there is a system for storing and retrieving transactions, activity, and data records for at least five years.
3. Obtaining prior approval from the Financial Regulatory Authority (FRA) to amend any program or system is Required.
4. The system should have a clear and user-friendly interface, facilitating easy navigation and access to information for different users, including Project Developers, Validation and Verification Bodies, customers, and the public.
5. The system should include an easy-to-use, accessible, and multilingual application that can be reached from various multi-use electronic devices and key operating support systems. If the application is not currently available, a timetabled plan to enable the registry to activate the application on various electronic devices should be submitted to the Financial Regulatory Authority (FRA).
6. The system should implement secure encryption mechanisms for registration, conduct regular security audits, and protect confidential data and user privacy.
7. The system should have a clear data model to identify data classification and determinants, document data, and promote interoperability.
8. The system should have a database that complies with different systems and platforms and allows easy integration and data exchange.

9. The system should have a secure and scalable database capable of handling data efficiently and safely.
10. The system should create backup copies of data with a clear structure that facilitates effective retrieval, updating, and management, ensuring continuity in the event of system failure.
11. The system should implement comprehensive and transparent auditing procedures, along with regular audits, to detect any manipulation attempts and ensure both transparency and traceability.
12. The system should include procedures to ensure compliance with the relevant standards, regulations, and methodologies applied in the voluntary carbon market.
13. The system should have mechanisms to provide disclosures and prepare required reports for all relevant parties.
14. The system should have the ability to efficiently manage increases in data volume and user activity.
15. The system should continuously monitor performance and undergo regular updates.
16. The system should provide comprehensive training materials, including guidelines, frequently asked questions, and educational videos, to educate users on how to use the registry. Additionally, it should offer technical support to users.
17. The system should include mechanisms for integrating user feedback to enhance performance.

**Fifth: Technological Infrastructure Requirements.**

- 1- The Registry should provide computers and storage devices with capacities that meet the system's requirements for applications and databases. It should also use licensed operating systems and software designed to ensure continuous, uninterrupted operation and facilitate information exchange.
- 2- The Registry should provide networks and communication links with capacities suited to the computer and storage requirements, using robust safety protocols and designed for continuous, uninterrupted operation.
- 3- The Registry should provide security and protection mechanisms, including:
  - a) Firewall.
  - b) Intrusion Prevention systems.
  - c) Endpoint Protection.
  - d) Regular update for the operating system and software.
  - e) Access control and remits management using multi-factor authentication, controlled password management with regular updates, and prevention of unauthorized multiple user entries or inactive communication.
  - f) Separation between different systems when operating in a virtual environment.
  - g) Data encryption by using appropriate encryption techniques and certificates.
- 4- The Registry should conduct a penetration test to assess network and data security at least once a year and deliver a copy of these test results to the Financial Regulatory Authority (FRA).

- 5- The Financial Regulatory Authority (FRA) must be informed when a security incident has occurred.
- 6- The Registry should provide time synchronization mechanisms for all systems and devices installed on these systems, ensuring they align with the timing of the settlement and clearing companies' systems and trading systems.
- 7- The Registry should provide logging mechanisms to record events on all systems and devices. It should maintain records of all events for at least five years, assigning a unique number to each event and system, along with the event time.

**Sixth: Infrastructure-related Requirements.**

- 1- The Registry should provide Disaster Recovery Environment at the headquarters and other emergency locations with the same specifications, capabilities, and capacities suited to technological infrastructure requirements, including:
  - a) Energy sources.
  - 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, designed to ensure continuous, uninterrupted operation.
- 2- The Registry should provide physical security mechanisms and entry-exit controls for data centers. Additionally, entry and exit records should be saved for at least three months for review if needed.
- 3- The registry should provide environmental controls inside data centers to ensure optimal performance for various devices and systems.
- 4- The Registry should provide reliable backup system mechanisms to ensure efficient energy consumption.
- 5- The Registry should provide effective mechanisms for energy consumption to minimize carbon footprint

**(Article 4)**

**Submitting Registration Application Form**

To be recognized by the Financial Regulatory Authority (FRA), the Registry must submit the designated registration application as per the Financial Regulatory Authority's (FRA) requirements for the maintenance of voluntary carbon credits' records. This application must include documents demonstrating compliance with the accreditation requirements outlined in this decree, along with any additional documents the Financial Regulatory Authority (FRA) deems necessary.

The Financial Regulatory Authority (FRA) shall render a decision on the registration application within 30 days from the date of submission of the supporting documentation.

#### **(Article 5)**

##### **Minimum information that must be maintained by a voluntary carbon registry**

The Registry, as recognized by the Financial Regulatory Authority (FRA), must maintain, at a minimum, the following information:

##### **Firstly: information regarding project description.**

- 1- Project name and designated unique identification code.
- 2- Geographical location of the project, including GPS coordinates.
- 3- Name of the Project Developer.
- 4- Name of the validation and verification body.
- 5- Time duration of the project.
- 6- Summary of project's benefits (general, climate, societal and biodiversity).
- 7- Number of Carbon Credits issued annually and the date of issuance.
- 8- Project status (registered, validated, verified, completed, rejected or cancelled).

##### **Secondly: information about carbon credits.**

- 1- Number of Credits issued and date of issuance.
- 2- Ownership structure and transfer history of the Carbon Credits within the Registry.
- 3- Current balance of existing credits and the date of the balance.
- 4- Number of Credits that have been retired.
- 5- Information about the Carbon Credits' owners, in particular his name and nationality.
- 6- Carbon Credits status (issued, retired or expired).

#### **(Article 6)**

##### **Field Examination Requirements**

The Registry that recognized by the Financial Regulatory Authority (FRA), shall commit to the following:

- 1- Annual examination of at least (40%) of total validation and verification operations of carbon emission reduction projects' registered. This percentage may be reduced according to a valid justification provided by the registry and accepted by the Financial Regulatory Authority (FRA), provided that the edited percentage is no less than (20%) in any case.

- 2- The examination sample should be statistically representative of the majority of projects in terms of location, Validation and Verification Bodies, sizes, and types of projects, with particular attention to high-risk projects.
- 3- The percentage of projects examined annually should not be less than 30% of the total number of registered projects.
- 4- Representatives of the RSegistry must attend the field visits conducted by the validation and verification team to inspect carbon emission reduction project sites.
- 5- Auditing the validation and verification reports and documenting the results obtained during the field examination process.

**(Article 7)**  
**The Related Measures**

In the event of a violation of the regulations specified in this decree or the related criteria issued, the Board of Directors of the Financial Regulatory Authority (FRA) may impose one or more of the following measures:

- 1- Issue a formal notice to the violator to rectify the violation and set a deadline for compliance.
- 2- Impose a temporary suspension for a period not exceeding six months.
- 3- Remove the Registry from approval status, with the possibility of re-adoption by the Financial Regulatory Authority (FRA) after a minimum of six months.
- 4- Permanently remove the Registry from approval status with no possibility of re-recognition by the Financial Regulatory Authority (FRA).

**(Article 8)**

This Decree shall be published in the Official Gazette and on the websites of the Financial Regulatory Authority (FRA). It shall be enforced on the following day of publication.

**Chairman of the Board of Directors**

**Financial Regulatory Authority**

**Dr. Mohammed Farid Saleh**