

Financial Regulatory Authority Board

Decree No. 31 of 2024

Dated 31st January 2024

Rules for Listing and Delisting Carbon Credits on Egyptian Exchanges

In accordance with;

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

Financial Regulatory Authority Board Decision No. (11) Of 2014

The Board of Directors of the Financial Regulatory Authority (FRA) resolves the following on January 31st, 2024,

(Article 1)

Scope of application

The provisions stated herein shall apply to the rules for listing and delisting carbon credits issued in the voluntary markets of the Egyptian stock exchanges.

(Article 2)

Definitions

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

- 1. Carbon Market:** is the voluntary market for trading carbon emission reduction certificates "Carbon Credits" on the Egyptian exchanges.
- 2. Certificates of Carbon Emissions Reduction or Removal (hereinafter referred to as "Credits"):** tradable financial instruments representing units of reduced 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.
- 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 (ICORA), or in accordance with the methodologies adopted locally by the relevant government agencies.

- 4. Voluntary Carbon 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. 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.
- 7. Validation & Verification Bodies (VVBs):** Entities carrying out validation and verification processes to ensure the compliance of the carbon reduction projects with reduction standards and methodologies approved by Standard Programs Setters.
- 8. The Settlement Company:** Clearing and Settlement Services Company licensed by the Authority to carry out the settlement of the transactions of traded carbon credits and forward contracts for these credits.
- 9. The Steering Committee:** A committee established upon a decree of the Egyptian Exchange's board. The committee is responsible for monitoring the listing and delisting carbon credits. It is referred to in this decree as “the Committee”.
- 10. Registration Applicant:** The carbon credits owner who seeks to list them on the stock exchange, or their legal representative, or any person authorized by the owner.

(Article 3)

Registration Requirements for Carbon Reduction Projects

The applicant shall submit a registration application using the form designated for this purpose to the FRA, in the Carbon Reduction Projects Database. The FRA shall confirm the project's registration in the database upon receipt and review of all following required documents:

1. Application form signed by the applicant.
2. Proof that carbon credits were issued after the Paris Agreement was ratified.
3. For projects established in Egypt and that require an Environmental Impact Assessment as by National Environmental Law, a copy of the Environmental Impact Assessment (EIA) report approved by the Ministry of Environment must be submitted.
4. For projects **with issued carbon credits**, a copy of the validation and verification Bodies (VVBs) reports and the project design document must be provided.
5. For projects for which carbon credits **will be issued**, a copy of the validation report and the project design document, or a proof indicating the project's registration in a voluntary carbon registry, must be submitted.
6. Any additional documents required by the FRA for must also be provided.

(Article 4)

Submitting the Carbon Credits Listing and Trading Application to the Exchange

The application for listing carbon credits on the exchange shall be submitted on the designated form prepared for this purpose. The application must include a proof indicating the project's registration in the FRA's Carbon Reduction Projects Database, a proof of opening an account at a clearing house licensed by the FRA, and an information memorandum or disclosure report for trading such credits on the 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. Project name and designated unique identification code.
4. Geographical location of the project, including the coordinates.
5. Name of the Project Developer.
6. Time duration of the project.
7. Name of methodology upon which carbon credits were issued.
8. The total number of carbon credits issued for the project, the number of carbon credits available for trading on the exchange which will be transferred to the account of the settlement company licensed by the FRA, 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 exchange shall publish the carbon credits listing application using the means available for this purpose.

The Committee shall make its final decision regarding the listing application within five days from the date of fulfilling the terms and conditions of the listing requirements.

Carbon credits shall be listed upon the Committee's decision, and the applicant shall be notified immediately of the committee's decision.

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

The exchange shall inform the FRA with all decisions issued by the designated committee within three working days upon the issuance date.

(Article 5)

Listing of Carbon Credits Forward Contracts

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

1. Project name and designated unique identification code.
2. Name of the voluntary carbon credit registry in which carbon credits were registered.
3. Geographical location of the project, including the coordinates.
4. Description of the project.
5. Number of carbon credits expected to be issued annually.
6. Contract and delivery conditions.
7. Quantities, price, and payment methods, including also the cases of non-delivery or non-payment.
8. Confidentiality clauses.

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

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

The Project Financer retains the right to formally register its secured interest against the project owner in the Movable Collateral Registry. The entity responsible for transaction settlement is obligated to notify the registry, identifying the creditor and the corresponding collateral as specified in the contract.

(Article 6)

Disclosure Obligations

The owner of carbon credits is obligated to promptly notify the exchange of any material information that could significantly affect the trading of such credits. This includes, but is not limited to, information regarding the projects upon which the carbon credits were issued, and any amendments made to the disclosures submitted with the listing application.

The settlement company is obligated to inform the exchange of any other information that should be disclosed. The exchange shall publish this information through the disclosure channels.

Article (7)

Optional Delisting

Upon request of the Credits owner, all or a portion of the listed carbon credits may be delisted from the exchange's trading platform. This may occur for the purpose of retirement, either by the owners themselves or on behalf of another party, or for transfer to a non-tradable account within the voluntary carbon registry.

Article (8)

Compulsory Delisting

Carbon credits shall be forcibly delisted under any of the following circumstances:

1. The project is removed from the FRA's Carbon Offset Projects Database.
2. Existing material violation of the project's validation and verification procedures.
3. Incompletion of the project.

In any case of compulsory delisting, the project owner or financier is obligated to repurchase the certificates from investors adversely affected by the delisting. The repurchase price shall be determined based on either the average trading price over the last six months preceding the

delisting decision or the highest trading price of those credits within the last thirty days prior to the delisting decision, whichever is higher.

Article (9)

Appeals Against Committee Decisions

A listing applicant may formally request the Exchange's Board of Directors to review the Committee decision regarding the delisting or the rejection of a listing. Such a request must be submitted within fifteen days of receiving notification of the decision. The Board of Directors is obligated to address this request in its next scheduled meeting.

Should the Board of Directors uphold the Committee's decision, the listing applicant retains the right to file a petition with the FRA within fifteen days of being notified of the Board's decision.

Article (10)

This decree shall be published in the Official Gazette and posted on the website of FRA and EGX, and It shall become effective on the day following its publication in the Official Gazette..

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