

26/ 2/ 2007

Circular No. (39)

Issued on 26/ 2/ 2007

Chairman of the board

Company

Dear Sir:

Reference is made to the findings of the periodic inspection of many companies licensed to engage in the business of securities, which revealed that they finance purchase transactions for some clients and, in return, they keep some post-dated checks with the clients being the drawees, an act which goes beyond the business of brokerage these companies are licensed to engage in.

As this may lead to damages to the market and its participants, especially inexperienced ones, when these companies finance uncalculated transactions that clients cannot afford. This causes financial losses as a result of price fluctuations in a free economy based on speculation and targeting profits.

Therefore, the Authority strongly stresses compliance with provisions of the Capital Market Law No. 95 of 1992, its Executive Regulations and decrees issued for its implementation; keeping away from financing transactions on part of their clients in return for checks; and desisting from adding any balance to clients' accounts per checks until after providing the bank receipt evidencing the check has been deposited with the bank for collection. If a notice is received from the bank advising of rejection of the check, the amount of the check is deducted from the client's account again.

Salah Abou Alam

Deputy to the Authority Chairman
Supervisor, Central Department for Inspection