

Circular No. 51
Issued on 26/ 3/ 2009

Regarding

Capital Market Authority Chairman's Decree No. 24 of the year 2008
On
Intra Day Trading

To: Securities Brokerage Firms

Reference is made the CMA Board of Directors' Decree No. 24 of the year 2008 regarding intra day trading.

The CMA has issued a sample form of contract (attached hereto) to be concluded between the company and its clients for conducting business using the intra day trading system. It has the minimum rules and procedures governing and regulating intra day trading-based transactions which the contract concluded between the company and its clients must include. There is also a form for disclosing investment risks related to the intra day trading system (attached). The client needs to sign it himself; a power of attorney may not be used for signing the contract or the disclosure form.

The CMA hereby stresses the necessity of ensuring that, for a client to be approved to do business on the basis of this system, he must meet requirements for financial solvency and technical awareness. An investor must belong to that category that can endure risks involved in conducting transactions using that system.

In all cases, brokerage firms must submit to the Capital Market Authority a copy of the typical contract used for entering into a contract with a client to conduct this activity.

Hesham Ibrahim
Supervisor, Authority Headquarters Affairs Sector

A Sample Form of Contract
For conducting business under the intra day trading system

On this day, / / the following parties:

- (a) Company\ (The Company)
(b) Mr. / Company\ (The Client)

Agreed to the following:

Preamble

Whereas, the Client wishes to conduct transactions through the intra day trading system promulgated by the CMA Chairman's Decree No. 24 of the year 2008 on 25/ 3/ 2008;

Whereas, the Client acknowledges that he has been cognizant of the disclosure form prepared by the company, attached to this contract (attachment no. 2), and setting out the investment risks that the client may be exposed to when transacting under the intra day trading system, and that he accepts bearing these investment risks as a result of investment under this system;

Whereas, the Client acknowledges that he has been cognizant of the rules and procedures regulating dealing in the securities market in general and under the intra day trading system attached hereto (attachment no. 1), and that he shall abide by them out of his own free, conscious will; and

Whereas, the Company has secured the approval of the CMA to conduct business on the basis of the intra day trading system on / ... / ... ,

NOW THEREFORE, the two parties hereto, after acknowledging their full legal capacity, mutually agree as follows:

Article (1)

The above preamble is an integral part of this Contract.

Article (2)

The Client, or his representative, agreed that the Company conduct transactions in his name and on his account using the intra day trading system.

Article (3)

The Company shall fill the orders issued to it by the Client after making sure that the securities intended for transaction and stated in his order is one of the securities tradable

under this system. The Company shall open an independent account for the Client to be designated for intra day trading transactions so that all his transactions under this system shall be separate from his other transactions.

Article (4)

The Client acknowledges his cognizance of the restrictions imposed on transactions under this system, especially that of the inadmissibility of excess of the volume of daily transactions per client beyond the limit of 1/ 10,000 (one over ten thousands) of the Company's listed securities or according to future amendments to the current restrictions as determined by the CMA.

Article (5)

The Client hereby undertakes to perform all obligations related and incidental to his transactions in the process of execution of this Contract in accordance with the table of expenses and commissions attached hereto.

Article (6)

In case not all or part of the securities already purchased under the intra day trading system are not sold, the non-sold securities become the Client's property and, accordingly, he shall perform consequent financial obligations. In the event of failure to perform these obligations in a timely manner, the Client acknowledges that he accepts the Company's disposition of whole or part of these securities to cover his position and meet these obligations.

Article (7)

In case not all or part of the securities already sold under the intra day trading system are not purchased, the Client shall bear all obligations related to provision of a quantity of securities that are not purchased for purposes of settlement, as well as spread of prices and other incidental expenses and he shall immediately perform these obligations.

Article (8)

In case the Client conducts transactions via the internet using the intra day trading system, this Contract shall be considered as an annex to the contract dated / / and signed by the brokerage firm for opening the primary account for dealing in listed securities and an annex to the contract dated / / for opening an account for conducting transactions via the internet.

Article (9)

Any disputes between the Company and the Client shall be settled in the same manner agreed upon in the original contract dated / / .

First Party

The Company's legal representative\

Signature:

Second Party

Client's name\

Name and capacity of Client's
representative\

Signature:

Dated: / /

Annex (1)
Rules and procedures governing and regulating dealing under the intra day trading system

The attached annex (1) includes the issued rules and procedures governing this activity and comprises the following:

1. CMA Chairman's Decree issued on 25/ 3/ 2008
2. Rules and procedures issued by the Egyptian Stock Exchange regarding the intra day trading system
3. Rules and procedures issued from the Central Depository and Registry Company regarding clearing and settlement of transactions executed in the Exchange under the intraday trading system

The Client must sign acknowledging his being cognizant of such governing rules and procedures.

Annex (2)

Disclosure form for investment risks related to intra day trading system

(A) General risks related to investment under the intra day trading system

The company would like to inform its client about the following:

1. The intra day trading system involves a high level of risks.
2. The intra day trading system is not considered appropriate for investors with limited finance resources in general as such investors may not have the ability to bear and accommodate high risks involved in this system.
3. An investor under the intra day trading system must be fully cognizant of and prepared for potential exposure to huge losses that may amount to full loss of the amounts of money he designated for investment under this system, in addition to the other commissions and expenses which may reduce his capital gains or increase the amount of capital losses.
4. It is not advisable to allocate for investment under this system any amounts set aside by the client/ investor for spending on medical care, education or living expenses. Moreover, it is not recommendable to resort to financing investment under this system via overdrawing, getting a bank loan, or pledging one of the properties or projects of the client to provide liquidity required for investment under this system.
5. Intra day trading system-based investment requires full knowledge and awareness of capital markets, methods of their operations, and investment patterns therein. In addition, there should be cognizance of the most important mechanisms and strategies used in the intra day trading system, especially the mechanism of margin trading and short selling, as well as the level of market volatility under difference economic conditions which require using certain types of orders.
6. Intra day trading system-based investment requires that the investor follows up trading screens instantaneously and accurately to be aware of the trends of prices of securities traded under this system so as to reduce potential risks by taking decisions at the right time during the trading session.
7. Intra day trading system-based investment involves exposure of non-professional investor to multiple forms of risks that surpass those faced by other experienced and professional investors who invest in the market under the same system and have knowledge and practical experience with its nature.

(B) Additional risks related to the intra day trading system

The Company would like to inform you as investors adopting the intra day trading system that there is a set of additional risks that an investor under such system may be exposed to. Pursuant to the principles of disclosure, transparency and protection of investors, the Company has decided to inform you about them to make sure you are aware of and ready

to bear them in case you are exposed to them. The following is a summary of the additional risks:

1. Margin trading risks under the intra day trading system

An investor purchasing stocks and financing part of their value through borrowing and intending to conduct transactions under the intra day trading system increases the possibilities of sustaining daily losses after the end of each session if the trend of prices of these stocks is bearish.

For with the bearish trend during the trading session, some transactors may go as far as closing the daily transactions during the same session, which may increase the amount of sustained losses. This may also result in complete loss of the amounts borrowed to finance the investment under this system so much so that these sustained losses may exceed the amount of such borrowed funds, thus eating away part of the client's own funds.

2. Short selling risks under the intra day trading system

When an investor borrows stocks and sells them at the start of the session, then the trend of prices becomes bullish, this inflicts immediate losses upon him, especially when he purchases these stocks in the same session to cover his naked position. If he does not repurchase the stocks sold in the same session, transactions are settled either through the securities composite or through borrowing securities to complete the settlement transaction. With prices on the rise from one session to another, instantaneous and repeated losses will be sustained by an investor who resorts to the intra day trading system until he closes his naked positions by purchasing the borrowed securities.

3. Market risk

Under the intra day trading system, a client bears the market risk as well as credit risks (i.e. mechanisms of margin trading and short selling). These risks are aggravated by the urgency of closing naked position whether in the case of margin trading or short selling under the intra day trading session. In addition, there is a kind of risk that all securities in the market may be exposed to during the trading session, such as announcement of events of general nature or events related to the macro-economy. Now, regardless of whether being positive or negative, such events can cause sharp price fluctuations, thus contributing to increase of profits or losses a client under the intra day trading system sustains.

To note, additional risks resulting from electronic circuit breakers curbing trading of stocks if the percentage of decline or rise in the weighted trading price is 10% or 20% may not enable an investor to close a naked position during the session.

For this may maximize losses if the impact of these events goes in a direction opposite to the open positions, which are closed in the same session whether by selling or purchasing. The story is different when the client holds long positions transferred by funds he makes available for investment for a long term period.

4. Communication risk among operation systems

There are some risks related to the intra day trading system such as failure of connection lines, power outage, or disconnection of communication lines. Risks related to this system increase when an investor conducts trading transactions via the internet where there are possibilities of network failure during the trading session.

Such incidents and other unfavorable events may turn the client unable to take the investment decision, or fill his orders at the proper time during the session, thus aggravating the losses sustained when dealing under the intra day trading system.

5. Risks of the client's lack of experience with the underlying security: security risk

Purchasing or dealing a security under the intra day trading system requires a sufficient study of the movement of its trading prices during a specific period so much so that the levels of the trading prices are studied and the price range of its movement is known during the trading session. In addition, the maximum and minimum limits of its trading prices during the study period should be known.

When an investor starts to conduct transactions involving a security under the intra day trading system without a technical study for its trading movement, determining the proper time for purchasing or selling during the session, taking into consideration the limited number of hours of trading and the necessity of taking an investment decision fast---- if an investor does not know these aspects, his losses will be maximized, not to mention other risks resulting from material events which the company can announce during the trading session and which the investor and his decision are supposed to interact with. And this dictates the investor's full awareness of capital markets, strategies and methods of investment, as well as related risks.

6. Currency risk

Under the intra day trading system, trading in stocks denominated in a foreign currency other than the investor's own may cause him additional losses as a result of change in exchange rates. An investor collects capital profits as a result of the difference between the purchase and sale prices. However, change in exchange rates may eat away such profits, even causing losses when exchanging into the foreign currency. In case losses are sustained as a result of the intra day trading system, currency exchange may affect the amount of these losses.

First Party
The Company

Second Party
The Client

Signature:

Signature:

Dated on / /