

## **Circular No. 1**

**Issued on 18/ 8/ 2009**

### **Regarding rules of depositing and registering transactions on incentive shares**

With reference to efforts by several companies to repurchase a number of their shares or allocate some of the treasury shares that were already purchased, the EFSA affirms that the following procedures and controls must be complied with:

- I. A company that repurchases its shares or gets what is traditionally known as treasury shares for the purpose of adopting a share incentive scheme for its staff must notify the Central Depository and Registry of the shares upon completion of the purchase transaction or allocation thereof as such shares must be frozen and their disposition banned unless a decision by the share incentive scheme supervisory committee in the issuing company is issued in accordance with the Authority-approved share incentive scheme
- II. The company which has the share incentive scheme must, upon the Authority's approval thereof, set a new code for the shares designated for that scheme in the format of "company name/ share incentive scheme".
- III. The Central Depository and Registry shall transfer the shares which are the object of notification from the account of the issuer company to the account in the name of the system coded in the format of "company name/ share incentive scheme". The shares shall continue to be frozen. Under this arrangement, the incentive shares shall not be treated as treasury shares from the date the share incentive scheme is approved by the Authority provided the purpose of purchase disclosed prior to completion of the transaction must be the use of such shares within the framework of share incentive scheme for the company staff.
- IV. The number of shares designated for the share incentive scheme and listed with the Central Depository and Registry in the format of "company name/ share incentive scheme" shall be considered when calculating the quorum of the general assembly and the issuing company shall give notice thereof when issuing the record of shareholders entitled to attend the assembly.
- V. Any additional bonus shares due under the share incentive scheme shall be added to the balance of such scheme and shall be subject to Items (I), (II), (III), (IV), (V), (VI), (VII) and (VIII).
- VI. Cash coupons distributed to the incentive shares must be disposed of in accordance with the system of the Authority-approved share incentive scheme. If such system does not provide for disposition of such distributions, especially before distributing or allocating such shares to beneficiaries, the central depository and registry company must add these distributions

to the scheme account until a relevant decision is issued by the extraordinary general assembly of the company and after the Authority gives its approval.

VII. The company issuing the share incentive scheme may not dispose of the incentive shares in any way other than what is provided for in the Authority-approved share incentive scheme until after the Authority approves modification to the system to allow such disposition.

VIII. The scheme supervisory committee has the right to decide on subscription to the cash capital increase in the name of the share incentive scheme if the Authority-approved share incentive scheme provides for that and shall indicate the source of finance for the increase shares.

Each issuer company that has secured the approval of the Authority for the share incentive scheme must abide by these instructions and align their conditions accordingly within one month to date. The Egyptian Stock Exchange and the Central Depository and Registry Company must ensure that they are adopted.

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