

Decision No. 82 of 2006
Dated 20/7/2006
Regarding Short Selling System

The Capital Market Authority Chairman,

After reviewing the Capital Market Law, promulgated by law no. 95 of 1992, its executive regulations and the Authority decrees issued in execution thereof, Central Depository and Registry Law, promulgated by law no. 93 of 2000, its executive regulations and the attached annex on settlement and clearing procedures,

Law no. 88 of 2003 in promulgation of the Central Bank, Banking and foreign currency Law and its executive regulations,

The rules of the securities lending system with the purpose of sale, presented by the Central Depository and Registry Company,

The CMA's board of directors decree no. 24 of 2005 in respect of the same day trading system,

The following was decided,

Article (1)

Provisions stipulated in this decree shall apply to the securities listed with Cairo and Alexandria Stock Exchanges that are traded according to the Same Day Trading system.

Article (2)

The Central Depository and Registry Company shall develop and manage a system for borrowing and lending of securities – that are allowed for trading – from and to custodians and develop the executive procedures for application thereof, as well as providing an automated system for disclosing the short sold securities balances and approving it from the Capital Market Authority.

Article (3)

Without prejudice to the requirements of applying article 299 in the Capital Market Law executive regulations, Cairo and Alexandria Stock Exchange shall provide a system for disclosing the short selling transactions. Cairo and Alexandria Stock Exchange and the Central Depository and Registry Company shall develop the executive procedures of this system, each in its area of concern, and get them approved by the CMA.

Article (4)

Without prejudice to Cairo and Alexandria Stock Exchange membership rules, the brokers may exercise short selling transactions with the purpose of sale after obtaining a license from the CMA to exercise the custodian business.

Article (5)

Without prejudice to the terms stipulated in article 290 in the Capital Market Law executive regulations, the custodian who desires to exercise the short selling business with the purpose of sale shall submit a request to the CMA, enclosed with the following:

- A certificate from the Central Depository and Registry Company indicating that the company shall fulfill the necessary technical requirements of operating the system, specially:
 1. Opening an escrow account for the short selling transactions with any of the clearing banks, provided it abides by the executive rules issued by the Central Depository and Registry Company in this concern.
 2. Using the short selling automated system of the Central Depository and Registry Company.
 3. A copy of the agreement by and between the custodian and the securities lending system established in the Central Depository and Registry Company in respect of short selling business in favor of its clients, while indicating the margin maintenance details, other provisions and cases of re-purchasing the shares purchased through the short selling system.
- Curriculum vitae of the employees in the department in charge of applying this system and a certificate of completing the training course held in this respect under the supervision of the CMA in coordination with the Central Depository and Registry Company, Cairo and Alexandria Stock Exchange.
- A copy of the agreement concluded by and between the custodian and the client, provided that it details the rights and obligations of both parties.
- A copy of the disclosure form that the custodian is required to advise the client thereof at the beginning of the client's transaction under this system, provided that it clarifies the nature of business, its procedures and that risks that may be encountered by the client who desires to borrow the securities with the purpose of sale and a pledge by the custodian to re-notify the client with this form once a year at least or upon changing the trading procedures as the case may be.
- A statement indicating that an automated Mark to Market system is effective on a daily basis during the trading session of the borrowed securities.

Article (6)

Lending and borrowing shall take place according to the traded unit or its multipliers. The traded unit shall be 100 stocks.

Article (7)

The maximum that can be lent per custodian at any time shall be 1/1000 of the number of issued shares – or the maximum identified in the securities lending system, whichever is less – for any security allowed to be traded under the short selling system with the purpose of sale. The custodian shall be obliged not to exceed the maximum percentage lent to any of his clients – per security – that is specified in the executive rules issued by the Central Depository and Registry Company in this concern and as approved by the Capital Market Authority.

Article (8)

The custodian may exercise short selling according to the clients' orders and re-purchase the lent and sold securities in favor of his clients on the same day of trading.

Article (9)

In case of not purchasing the lent securities that were sold on the same day of trading, the custodian shall pay the necessary cash deposit collected from the client that is not less than 50% of the securities market value under the securities lending system in the Central Depository and Registry Company.

Article(10)

Any monetary rights emerging during the borrowing period shall be deducted from the cash deposit amount under the securities lending system, provided the custodian abides by paying any amounts to complete the cash deposit in order to preserve the determined percentages upon requesting the lending system.

Article (11)

The custodian or the company that exercises short selling business shall maintain separate accounts for all transactions that take place according to this system and may not combine or merge other clients' accounts with the accounts of other transactions related to this system.

CMA Chairman
Dr. Hani Sarie-EIDin