

Circular no. (1)
Issued on 31/5/2011
Regarding the Regulations set for Practicing the Activity of Custodians

In the framework of EFSA's role and what has been noticed during the EFSA's routine inspection performed on the licensed custodians, EFSA found that some custodians did not have the important data of clients (name, job, residency, legal form, nationality). Also EFSA has noticed that some custodians did not check if these clients are holding transactions on their accounts or if they are registered owners who are holding transactions for other beneficial owners. That is in addition to the fact that, they did not keep the contracts signed with these clients as well as correspondences and securities and that is a violation of the provisions of Articles (50) and (52) of the Executive Regulation of Central Depository and Registry Law.

In this respect, the lack of commitment in applying the stated provisions shall harm the market and its dealers, so EFSA asserts that all who are licensed to practice the activity of custodians shall abide by the following:

First: custody a register for each client. The said register shall include the name of the client, his job, residency and nationality according to his identity card that is in case of a natural person or his name and legal form and listing number in the commercial register, the address of the main headquarter, the representative who is authorized to sign the contract and the document that clarify this is in case of the legal person.

Second: Setting a system that grants acquiring the identification data and the legal situation of the real beneficial upon dealing with custodians, that shall be in case of the client is a legal person.

Third: Notifying the client of a detailed statement of account monthly at least. That shall include all the transactions held on the client's account besides adjusting the positions of the contract signed with the clients as it shall include a notification of a detailed statement of account monthly at least.

Fourth: Updating the data, files and forms of clients immediately after any amendments and reviewing it periodically to verify that the following data and documents are attached to the client's file:

- 1- The contract signed with the client shall clarify if the client is dealing by his name and for his own benefit or if he is a registered owner dealing for the interest of a group of beneficial owners.
- 2- The form of "knowing your client" for each client, person or the person authorized to sign.
- 3- The commercial register, statute, names of account's owners, members of BOD or those who are responsible of management in case if the client is a legal person as well as identifying the name and the data of the person or the authorized persons to sign the contract that is in addition to the proxy- authorization.

EFSA asserts that custodians shall abide by the regulations mentioned above as it is a continuous process that protects the Egyptian Capital Market and its dealers.

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