

Egypt: Enforceable Decrees of the Companies Law and Investment Law related to the management of the company and the governance of different types of legal entities

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In brief

Recently, new regulations have been enacted in regard of the management of the companies in Egypt. It is now required that Joint Stock Companies deposit their shares centrally with Misr Central Clearing Depository and Registry (MCDR).

Also, for the limited liability companies, there is no nationality restriction for the managers. As for representative offices, new compliance requirements are imposed by law.

In detail

1. Joint Stock Companies must deposit their shares at the Central Securities Depository System

This is according to the new amendment which has been occurred on the Companies Law No.159 for 1981 and its executive regulation. Article (17) related to the Joint Stock Companies in Egypt states that:

The Joint Stock Company must be registered at the central securities depository system through Misr Central Clearing Depository and Registry (M.C.D.R). Upon registration of its shares.

The company may use electronic methods to discuss and vote in the General Assembly meeting.

In addition, the depository of shares has many benefits for the shareholders:

- The Joint Stock Companies shall deposit their shares and bonds through a secured electronic system.
- The protection of the bonds and shares from damage, fraud and loss.

- The company shall save the printings costs of bonds and the time of printing as well.
- The guarantee of the mortgagor and mortgagee rights by registering the pledge through M.C.D.R registry.

General Authority for Investments and Free Zone (GAFI) gave a grace period for the existent Joint Stock Companies to register their shares until 15 January 2019.

2. Limited Liability Companies are not restricted by the nationality of the manager

Decree No. 256 dated 23/12/2018 amends Article 281 of the executive resolution of the Companies' Law No. 159 for year 1981 no longer imposes on limited liability companies in Egypt to appoint Egyptian managers.

Article 281 before the amendment:

"The company's managers shall fulfill the requirements set forth in article (89) of the law, providing one of those managers at least shall be Egyptian."

Article 281 after the amendment:

“The Company’s managers shall fulfill the requirements set forth in the Article (89) of the Law”

3. Representative offices in Egypt must comply with the new restrictions

According to Article 173 of the Egyptian Companies’ law, representative offices (RO) in Egypt are established for the primary reason to conduct a market study and investigate the possibilities of production without carrying out any commercial activities.

To ensure representative offices in Egypt to limit their activities in conducting the licensed activities, new regulations been in place by Decree No. 742 dated 13/11/2018 which can be summarized as follows:

- The representative office in Egypt should submit at the beginning of each year a statement including its employees’ name, their jobs, nationalities, their salaries, the total of their salaries, the percentage of the Egyptian employees’ salaries, the representative office marketing study that was conducted during the year as well as the proof of sending such marketing researches to the parent company, the decisions made by the parent company for the work exerted during the year.
- Within three years of the registration of the representative office in Egypt, the decision of the parent company on

whether or not it will establish a company or a branch in Egypt must be submitted to GAFI. The prolongation of such duration shall be accompanied by reasonable explanation from the representative office in which it will be evaluated by GAFI and it is at its discretionary power to approve or refuse the continuation of the office.

- A registration certificate will be awarded to the representative office which will not exceed a year and will be renewed provided that the office does comply with the provision of the decree.
- In case of submitting incorrect data or violation of the Egyptian Law and its executive regulation, the representative office shall have a period of six months to adjust its situation and establish a company or a branch otherwise it will be subject to deregistration.

Key takeaway

Joint Stock Companies are now required to deposit their shares centrally with M.C.D.R.

From the Date of Decree No. 256 issued on 23/12/2018, Limited Liability Companies are not required to appoint Egyptian manager.

The representative office must comply with the provisions of Decree No. 742 dated on 13/11/2018 which is effective from its issuance date.

How PwC can help you

Our legal experts can assist your Joint Stock Company in the process of registering the company at the Central Securities Depository System, change the manager for the limited liability companies in its corporate documents as well as assist you in establishing a new representative office in accordance with the provision of the Egyptian laws and its executive regulations or adjusting the situation of your existing representative offices in Egypt by establishing either a new legal entity or branch in Egypt.

Let's talk

For a deeper discussion of how this might affect your business, please contact:

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