

Final Report

The Egypt Capital Markets Development Project

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Executive Summary

In 1992, after more than 30 years of dormancy, Egypt's capital markets were revitalized as part of a national economic reform program. By early 1997, Egypt had been "discovered" by international portfolio managers and the rapid growth of the private sector had pushed market activity and capitalization to an all-time high. This sudden surge in market activity highlighted the need for more modern market underpinnings in policy, regulation, and institutional support.

In mid-August 1998, USAID signed a contract with Chemonics International Inc. to implement a systems-wide approach designed to address structural weaknesses and build on recent capital market gains. By focusing on comprehensive, functional improvements in a fast-emerging financial and capital market, the Egypt Capital Markets Development Project (CMD) complemented USAID's efforts to achieve continued stabilization, structural adjustment, and privatization. The project also supported Egyptian government initiatives to modernize its securities market institutions, develop private market instruments, and enhance the country's legal and regulatory infrastructure. There were four major project objectives:

- **Improve the efficiency, transparency, and stability** of Egypt's capital market architecture through automated trading, clearing and settlement, and better dissemination of market information through the Internet and other electronic media.

- **Strengthen institutional capabilities** of the governmental and private sector capital market institutions.
- **Strengthen the regulatory environment** for capital markets, including greater self-regulation and better disclosure.
- **Develop secondary trading in new financial instruments** by helping lay the groundwork for issuing and trading government, treasury, and corporate debt securities: conducting research, drafting regulations, and developing trading practices and a network of primary dealers.

Chemonics moved rapidly to implement the project. Together with Egyptian institutional partners, CMD prepared a first-year work plan that divided the project into four components: institutional development and training, automation technology, legal and regulatory assistance, and public outreach. As the project progressed, we increased our focus on the debt market and new financial instruments. Over the course of the project, CMD earned nearly universal respect and appreciation from its partner institutions, which included:

- Ministry of Foreign Trade (MOFT), responsible for the Capital Market Authority
- Ministry of Finance (MOF) , which issues Government of Egypt borrowings
- Central Bank of Egypt (CBE) , the MOF's fiscal agent in issuing GOE debt
- Capital Market Authority (CMA) , responsible for supervising the capital market
- Cairo and Alexandria Stock Exchanges (CASE), the securities market listing and trading facility
- Misr for Clearing, Settlement, and Depository (MCSD — now the MCDR), responsible for the clearing and settlement of all exchange and over-the-counter trades in securities
- Egyptian Capital Market Association (ECMA), association for securities and other financial professionals
- Egyptian Investment Management Association (EIMA), association for investment managers.

In August 2001, the option to extend the project for a fourth year was exercised. Toward the end of the fourth year, in June 2002, Management Systems International prepared an assessment of

the project for USAID. Largely as a result of this assessment, USAID/Egypt approved a fifth-year extension through September 2003, at which time a final five-month extension was granted. The project ended in February 2004.

Accomplishments of the Capital Markets Development Project

To address the needs of the Egyptian capital market, CMD collaborated closely with institutional partners on the first year project work plan. Through this and subsequent yearly work plans, the project developed an implementation framework that dedicated resources to issues critical to institutional partners and project goals. Although specific objectives changed during the life of the project, from 1998 through early 2004 most CMD efforts focused on:

- **Providing an enabling environment** — enhancing the legal, regulatory, and institutional framework to create stable, more attractive markets
- **Modernizing market institutions, systems, and procedures** — increasing the organizational effectiveness of our counterparts to enable them to meet international standards in accounting, auditing, clearing and settlement, and payment systems and to increase system capacity and automation.
- **Increasing local knowledge and expertise** — improving the skills and knowledge of market participants and the quality of financial news reporting, and providing the public with accurate information about investing and market operations.
- **Increasing the market's capacity for existing and new instruments and methods of trading** — providing the legal and institutional infrastructure to support the government and corporate bond markets, sovereign bond issues, and securitization (including mortgage-backed and asset-backed securities)

USAID's Capital Markets Development project has had real and substantive impacts on Egypt's developing capital market, due in no small part to the quality of the project design. USAID provided an excellent project framework, working with all counterparts to design an integrated approach that would achieve results. The project design was both timely and responsive to specific local needs and initiatives from institutional partners such as the CMA, CASE, and MCDR. Chemonics worked within this framework, building on USAID's original approach and remaining responsive to partners' needs and flexible to changing conditions throughout the life of the

project. As a result of careful project design and implementation, CMD served as a catalyst to achieve major results in each of the four broad areas of work mentioned above. These results are summarized below.

Providing an enabling environment. An inadequate legal and regulatory foundation increases risk and lowers the confidence of investors, thus limiting the efficient allocation of available investment capital. The GOE and the institutions involved in operating and regulating the marketplace realized that Egypt needed to upgrade its legal and regulatory framework to make the markets appealing to long-term investors and potential issuers. CMD helped address this need and achieved the following:

- Helped draft a new chapter on securitization for the Capital Market Law, which has been reviewed and finalized by the MOF.
- Drafted and provided comments on many executive regulations and decrees that have been issued, including those for bond dealers, primary dealers, margin trading and net capitalization.
- Provided extensive input for soon-to-be issued decrees that cover Egypt's unique Investor Protection Fund and the stock exchange membership rules.
- Provided input on policy issues and extensive comments on the Central Securities Depository and Registry Law before its 2000 passage; drafted a complete set of executive regulations for its implementation.
- Provided market participants with options for the design of a settlement guarantee fund and drafted rules for the fund. The Settlement Guarantee Fund, established by decree in January 2000, has increased the confidence of foreign investors in Egypt's markets and drastically decreased the number of suspended settlements.

Modernizing institutions, systems, and processes. CMD worked closely with institutional partners to improve their organizational capacity and efficiency, document systems and operational procedures (both internal and external), and provide required hardware and software for critical systems and functions. Formal and on-the-job training was provided to help transform market institutions from centralized organizations into responsive, effective, and efficient organizations. Throughout the project, CMD advisors helped CASE, MCDR, ECMA, and EIMA

take steps to reach organizational maturity and be recognized by the CMA as self-regulatory organizations. As a result of these combined efforts:

- MCDR has become an internationally recognized depository in an amazingly short time, obtaining near-perfect marks for operations from JPMorgan Chase in 2001. In addition to developing internal systems, processes, and documentation, the MCDR was authorized as Egypt's central registry for securities in the fall of 2002, and has also been authorized as the central registry for Treasury bonds.
- The CMA has defined its organizational functions as a "pure" regulator and is reorganizing along these functional lines, with improved computer and research capabilities. CMA's new Online Access to Securities Information System has been used to deal with a five-year backlog of over 2 million pages of filings made by companies listed on the stock exchange and is now used to capture all new financial statement filings electronically.
- CASE has strengthened internal controls and moved closer to becoming a self-regulatory organization. CASE has assumed the responsibility for online surveillance, with the CMA depending on CASE reviews and analyses to conduct investigations. With more than \$1 million of hardware procured through CMD, CASE was able to launch its new trading system in 2001, which has significantly increased trading capacity and efficiency.
- EIMA adopted reporting standards for investment managers that were approved by AIMR's Investment Performance Council, making it the first industry organization in the region with internationally accepted performance standards.
- The MOF has established a debt management unit to oversee the issuance of government debt.
- The CBE has an electronic book-entry registry for Treasury bills with an automatic link that enables the registry to connect to the SWIFT system at banks.
- Both the MCDR and CMA have firewall systems to protect their computer networks.

Helping to grow local knowledge and expertise. At the project's outset, the Egyptian public had little understanding of the capital market and no reliable sources of information. There were few experienced market participants and a general lack of in-depth skills and expertise. CMD

worked with the market institutions, financial press, and legal and judicial professionals to help increase the depth and breadth of knowledge and expertise.

- CMD partnered with CMA to host 22 press forums, 3 sets of workshops, and 2 study tours for 32 journalists. We also provided an Internet clinic to help financial journalists learn to use search engines and other tools to access the international media. As a result, financial reporters are more confident and have better relationships with decision makers and capital market participants.
- In addition to preparing numerous manuals and guides provided for institutional partners, CMD had an extensive overseas and local training component for market participants. As of the end of 2003, we had conducted 31,809 person-hours of specialized training, 69,304 person-hours of training through USAID's Development in Training Two project, and 32,400 person-hours of training through the English Language Training and Testing division of the American University's continuing education department.
- CMD provided educational material for retail investors through our Investor Education Series of videos and publications and assisted our partners with developing websites, and providing targeted forums and outreach to business communities and associations. We also produced a one-page daily synopsis of Egypt's financial news — the Egypt Capital Markets Daily — and sent this in electronic format to local and international market participants.
- CMD assisted with the development and publication of MCDR's annual report for 1998 and provided limited technical assistance on the 1999 and 2000 annual reports. We also helped with a "frequently asked questions" (FAQ) publication about book-entry securities that was designed for investors.
- Assistance with CMA publications was provided throughout the project. As a result of CMD urging, the CMA began to include information about CMA decisions, new issue prospectuses, proposed rules, and current regulations in its annual reports. With CMD assistance, various fact sheets and brochures were produced and distributed on topics of interest to the investment community. In early 2003, the CMA undertook an initiative to produce an informational bulletin, a major step in increasing transparency of the CMA.
- CMD helped train Egyptian judges and prosecutors about the capital market law and how to investigate, prosecute, and adjudicate cases related to securities trading and fraud.

Encouraging market diversity and flexibility. One of the initial challenges facing the CMD project was to help increase secondary trading for corporate and government fixed-income securities. The project responded with a number of initiatives in this area including the introduction of bond dealers and in-house development of software at the CBE to support trading and ownership transfers of fixed-income securities. At the request of the MOF, we provided extensive assistance with the international issue of Egypt's first sovereign Eurobond. As part of the restructuring effort at the CMA, CMD helped establish a fixed-income securities department. CMD also worked to encourage market diversity through other types of instruments by providing a legal basis for securitization and promoting increased awareness of new market instruments, including an assessment of the prerequisites for financial derivatives and a workshop on derivatives.

- During the first year of the project, working in collaboration with the CMA and MOFT, CMD drafted a decree to formally establish dealer-based trading in the markets for corporate bonds and government securities.
- As of 2004, 11 primary dealers are licensed to operate in Egypt's government debt market; CMD helped make this possible through its work to develop regulations and an operational framework for the primary dealer system.
- CMD assistance with design and implementation enabled the CBE to launch a book-entry system for Treasury bills in June 2002, which has successfully dematerialized over 99 percent of Treasury bills. We also developed and helped implement requirements for converting the registration of bills from issuance dates to maturity dates; this allows all bills with the same maturity period to be fungible, regardless of their original maturities and issuance dates.
- In July 2001, Egypt successfully launched two tranches of its debut international sovereign bonds. CMD was instrumental in helping the MOF with this first-time issue of sovereign bonds. The two bonds were oversubscribed, a sign that international investors had confidence in the Egyptian economy
- Through a collaborative effort with the CMA, CMD advisors prepared an action plan and completed the general framework for securitization. CMD also drafted an amendment to the Capital Market Law that eliminated legal obstacles to securitization resulting from the new real estate finance law.

- CMD helped facilitate the process of introducing new financial instruments by increasing market participants' awareness and understanding of potential new instruments.

Lessons learned from implementation

Egypt's capital market has come a long way in five years. MCDR's clearing, settlement, depository and registry functions are now supported by laws and regulations and secure hardware and software, backed by a settlement guarantee fund, and recognized by JPMorgan as operating in the "best practice" range. CASE's automated trading system can handle 18 times the volume of the 1998 system and operates according to international principles. Both the stock exchange and MCDR now have internal audit controls in place. CASE's online surveillance efforts are being used by the CMA rather than duplicated, and the CMA is more proficient at pursuing and completing investigations and prosecutions. The CMA has a new functional structure, a more comprehensive set of regulations to enforce, and a better understanding and acceptance of international standards and best practices for capital markets. The CBE, MOF, and CMA have well-defined responsibilities regarding government debt securities, Egypt has a successful debut issue of sovereign Eurobonds, and an automated system for registering Treasury bills is in place. The new minimum net capital requirements that will accompany the implementation of margin trading will ensure that many of ECMA's broker members will become financially stronger and more resilient. The list goes on, but the bottom line is Egypt is much better positioned to become a leading regional market than it was in 1998.

As we began to dissect some of the reasons for this success, eight common themes or factors emerged. We summarized each of these factors in a "lesson learned" statement, and added a ninth lesson derived from reflecting on what we might have done differently. These lessons are presented with the hope that they can be applied to future efforts in Egypt and elsewhere.

Lesson Number 1: Well-planned team-building and collaborative efforts early in the project reap long-term benefits.

Lesson Number 2: Solid, substantial success early in the project establishes credibility with and gains cooperation from counterparts.

Lesson Number 3: A responsive, collaborative, recursive approach achieves the best results and empowers project counterparts.

Lesson Number 4: Keeping your eye on the ball — the achievement of international standards and best practices — ensures quality solutions.

Lesson Number 5: A flexible approach and willingness to adapt to local and/or changing conditions is critical to maintain project momentum.

Lesson Number 6: A synergistic approach that marries credible international expertise and local knowledge achieves results.

Lesson Number 7: Strong project management and home office support are critical to success.

Lesson Number 8: Persistent efforts and long-term presence yield results.

Lesson Number 9: Providing the right information (or training experience) is good, but providing it to the right people — and ensuring its effectiveness through follow-up — is better.

Handover — the true measure of success

The CMD project was successful in accomplishing the objectives laid out in its yearly work plans and in addressing the original goals of the project. Our true measure of success, however, lies in the sustainability of our efforts. Throughout the project we have worked closely with our partners to help instill best practices and to provide them with procedures manuals, systems, and the confidence to use these tools and move forward with new decisions. As we leave the project, we feel confident that our partner institutions can carry on the activities initiated or supported through CMD.

MCDR is an excellent example of one of our strategies for ensuring sustainability – the documentation of internal and external policies, systems, and processes. Throughout the project we worked closely with this partner to document institutional processes and systems such as participatory standards, internal audit controls, and pricing policies. The MCDR now uses its documentation to train new employees. Such documentation also ensures transparency and

predictability of operations and sets the standards against which auditors evaluate the performance of the organization.

We are particularly pleased with the achievements of the CMA, which made significant progress over the course of the project. In many ways, our presence functioned as a catalyst, slowly effecting change. As the project progressed, we placed more emphasis on our role as a resource rather than an assistance provider. To help maintain momentum, our staff at the CMA gave “assignments” to their counterparts as their work drew to a close.

Building on successes to meet future challenges

The CMD project helped create momentum among market institutions. While progress would have been made even without the project, our presence served as a catalyst and enabled more focused and rapid results. The continued work to develop Egypt’s capital should build on the successes and work of CMD in the following areas:

- **Amend the Capital Market Law to give the CMA more enforcement and surveillance authority.** Although the CMA has vastly improved its capabilities for enforcement, it still lacks a legal basis for immediate sanctions in cases of non-compliance.
- **Enshrine corporate governance principles** in appropriate law and improve non-financial corporate disclosure.
- **Amend bankruptcy law to protect investor assets and risk-containment mechanisms.** Our work pointed out the need for more protection of investors and market institutions in case of bankruptcy. This will require amending the existing bankruptcy law to harmonize it with the Capital Market Law and international standards.
- **Enhance the framework for securitization.** This work will include new executive regulations for the Capital Market Law, standardized mortgage financing documents, and establishment of a clear, efficient process for title registration and transfer of immovable property.
- **Develop a legal and regulatory framework that allows the use of same-day trading and short-selling, and the introduction of appropriate new instruments.** These instruments may range from preferred shares to financial derivatives and the money market.

- **Work with the MOF to develop the government bond market, then concentrate on development of the corporate bond market.** The groundwork for a vibrant government bond market has been established by the CMD, but so far a primary dealer system has only been implemented for Treasury bills, not Treasury bonds. The government bond markets need further development, which will pave the way for the growth of the corporate bond market.
- **Provide further training for judges and legal experts** (judges, prosecutors, and legal departments at market institutions). Our work with judges and prosecutors was an excellent first step toward increasing the awareness of legal professionals with respect to capital market issues. We believe, however, that more remains to be done in this area. One of the first starting places should be to work with the legal departments of the various market participants and to help them build a strong group of legal professionals who are experts in the field of market operations and issues.
- **Enhance the framework for SRO development** by assisting the CMA with legal and regulatory changes, exploring the privatization of CASE, and instituting courses for qualifying licensed brokers. CMD helped establish important capabilities for would-be SROs such as MCDR and CASE. Existing law does not support full SROs, however. Legal and regulatory changes are needed to help the CMA enable and utilize SROs in the capital markets. Egypt also needs a broker-dealer examination system and related course material that are in line with international standards and best practices.
- **Organize the over-the-counter market.** ECMA or CASE should be encouraged to take responsibility for the organization and development of this and other important markets, such as the development of mutual funds.

Acronyms used in this report

AMIR	Achievement of Market-Friendly Initiatives and Results Program
CASE	Cairo and Alexandria Stock Exchanges
CBE	Central Bank of Egypt
CIA	Certified Internal Auditor
CMA	Capital Market Authority
CMD	Capital Markets Development Project
DT2	Development Training II
DVP	Delivery versus payment
ECMA	Egyptian Capital Market Association
EDGAR	Electronic Data Gathering and Retrieval system (used in US)
EIMA	Egyptian Investment Management Association
ELTT	English Language Training and Testing
FAQ	Frequently asked questions
G-30	Group of Thirty
GAREFA	General Authority of Real Estate Finance
GOE	Government of Egypt
IFSC	International financial services center
IMF	International Monetary Fund

IPF	Investor Protection Fund
IOSCO	International Organization of Securities Commissions
MCDR	Misc for Central Clearing, Depository, and Registry — formerly the MCSD
MCSD	Misc for Clearing, Settlement and Depository — which became the MCDR in 2003 (referred to throughout this report as MCDR)
MENA	Middle East and North Africa
MOE	Ministry of Economy
MOF	Ministry of Finance
MOFT	Ministry of Foreign Trade
MSI	Management Systems International
OASIS	Online Access to Securities Information System
OTC	Over-the-counter
SEC	Securities and Exchange Commission (US)
SGF	Settlement Guarantee Fund
SRO	Self-regulatory organization
T+ <i>number</i>	Trade date plus number of business days that have elapsed since the trade date (usually refers to the settlement period)
US	United States of America
USAID	United States Agency for International Development

1. Response to a critical need



1. Response to a critical need

In 1992, after more than 30 years of dormancy, Egypt's capital markets were revitalized as part of a national economic reform program. By early 1997, the discovery of Egypt by international portfolio managers and the rapid growth of the private sector had pushed market activity and capitalization to an all-time high. This sudden surge in market activity highlighted the need for more modern market underpinnings in policy, regulation, and institutional support if Egypt were to realize its hopes of becoming the regional leader in capital markets.

The 1997 USAID/Results Package¹ identified several areas that could benefit from technical assistance initiatives, training, and information technology procurements. As a result of these findings, USAID committed to providing support for a systematic approach involving all of the major market participants. The expected result was that the Egyptian capital market would be better equipped and more attractive to domestic and foreign investors, which would provide a platform for capital formation.

In mid-August 1998, USAID signed a contract with Chemonics International Inc. to implement a systems-wide approach designed to address structural weaknesses and build on recent capital market gains. By focusing on comprehensive, functional improvements in a fast-emerging

¹ USAID, 1997. Results Package, Capital Market Development (263-0252). May 18, 1997.

financial and capital market, the Egypt Capital Markets Development Project (CMD) complemented USAID's macroeconomic policy interventions in private-sector development, including efforts to achieve continued stabilization, structural adjustment, and privatization. The project also supported Egyptian government initiatives to modernize its securities market institutions, develop private market instruments, and enhance the country's legal and regulatory infrastructure. These features were contained in four major project objectives:

- **Improve the efficiency, transparency, and stability** of Egypt's capital market architecture through automated trading, clearing and settlement, and better dissemination of market information through the Internet and other electronic media.
- **Strengthen institutional capabilities** of the governmental and private sector capital market institutions.
- **Strengthen the regulatory environment** for capital markets, including greater self-regulation and better disclosure.
- **Develop secondary trading** in new financial instruments by helping lay the groundwork for issuing and trading government, treasury, and corporate debt securities: conducting research, drafting regulations, and developing trading practices and a network of primary dealers.

The CMD contract clearly stated that much of the assistance was to be demand driven and that the approach was to be flexible. Nearly all training was to be coordinated through USAID's Cairo-based Development Training II (DT2) project.

Chemonics moved rapidly to implement the project. By September 27, 1998, Chemonics had staff in Cairo. By the end of the year, the project had a professional staff of 8 expatriates and 12 Egyptians on board. Together with Egyptian institutional partners and Chemonics home office staff, these project members prepared a first-year work plan that divided the project into four components: institutional development and training, automation technology, legal and regulatory

assistance, and public outreach. Later in the project, more emphasis was given to the introduction of new financial instruments.

Over the course of the project, CMD earned nearly universal respect and appreciation from its partner institutions, which included:

- Ministry of Foreign Trade (MOFT), as the ministry responsible for the Capital Market Authority
- Ministry of Finance (MOF) , which determines and issues Government of Egypt (GOE) borrowings
- Central Bank of Egypt (CBE) , the MOF's fiscal agent in issuing GOE debt
- Capital Market Authority (CMA) , the authority responsible for regulating the capital market
- Cairo and Alexandria Stock Exchanges (CASE), the securities market listing and trading facility
- Misr for Clearing, Settlement, and Depository (MCSD — now the MCDR²), responsible for the clearing and settlement of all exchange and over-the-counter trades in securities
- Egyptian Capital Market Association (ECMA), association for securities and other financial professionals
- Egyptian Investment Management Association (EIMA), association for investment managers

Initially, project component activities were implemented through teams that corresponded to our first five institutional partners: the CMA, MCSD, CASE, CBE, and ECMA.³ During the first year,

² In 2003, the MCSD changed its name to Misr for Central Clearing, Depository, and Registry (MCDR) to reflect its additional role as central registry. For consistency, we use only the acronym MCDR in this report.

³ The MOF was not one of the original counterparts, but became a partner when it solicited CMD assistance with the issuance of sovereign debt and with the development of the government debt securities markets.

each of these teams was led by a specialized expatriate advisor; as the project progressed more of the activities were assumed by local advisors and teams were reconfigured to provide assistance where it was most needed or requested.

In August 2001, the option to extend the project for a fourth year was exercised. Toward the end of the fourth year, in June 2002, Management Systems International (MSI) prepared an assessment of the project for USAID. Largely as a result of this assessment, USAID/Egypt approved a fifth-year extension through September 2003, at which time a final five-month extension was granted. The project ends in February 2004.

This document is the final project report for the Egypt Capital Markets Development Project. In this report, we seek to do more than provide a chronology of the project or meet the requirement for a contract deliverable. Our intent is to provide a broader platform that will inform future assistance and intervention efforts, both in Egypt and elsewhere. Immediately following this introductory section, we provide before and after “snapshots” of various aspects and institutions of the Egyptian financial market. These snapshots are not meant to be comprehensive, but rather to illustrate impacts of this project on the market structure and institutions. Next, we identify the issues that propelled the project and describe the achievements and approaches devised to address these issues, and discuss lessons that we learned during the implementation of these solutions. In short, this report is about what did and didn’t work, presented in a format that invites readers to learn from our experience. A final section anticipates areas where future assistance might be best concentrated to increase market transparency and sustainability. Annexes A and B provide summaries of project deliverables and training, respectively.

Likewise, EIMA became a more active partner later in the project. MOFT remained a partner throughout the project as the responsible ministry for the CMA and in relation to corporate bond dealer initiatives.

2. Snapshots of Egypt's Capital Market, 1998 and 2004

Snapshot of Egypt's Capital Market: 1998

Snapshot of Egypt's Capital Market: 2004

Snapshots of Capital Market Authority, 1998 and 2004

Snapshots of Cairo and Alexandria Stock Exchanges, 1998 and 2004

Snapshots of Misr for Central Clearing, Depository, and Registry, 1998 and 2004

Snapshots of Central Bank of Egypt, 1998 and 2004

Snapshots of Securities Intermediaries, 1998 and 2004



2. Snapshots of Egypt’s Capital Market, 1998 and 2004

On the following pages we provide snapshots — brief descriptions of Egypt’s capital market in 1998 and 2004. The first two pages are “wide-angle” shots that allow a comparison of the market institutions and underpinnings at the beginning and end of the CMD project. Because our interest lies in determining the overall impact of the project, we have focused on major issues that were addressed by the project.

We also provide “portraits” of five of the major market institutions with whom we worked over the life of the project. Again, these descriptions focus on changes that occurred within the institutions as a direct result of CMD assistance.

For a more in-depth discussion of CMD initiatives and their results, please refer to Section 3, Building the Capital Market Infrastructure.

Snapshot of Egypt's Capital Market: 1998

A number of impelling needs drove USAID's CMD project: nascent and inexperienced capital market institutions, an underdeveloped legal and regulatory foundation, lack of transparency, and an often misinformed public. More specifically, Egypt suffered from:

Lack of harmony among the Capital Market Law and other pertinent laws — in addition to the estimated 17 laws and codes affecting the securities market, there were numerous executive regulations, decrees, and rules. Many of these pre-dated the Capital Market Law and the lack of harmony sent conflicting or confusing signals to issuers, investors, and other market participants. More importantly, there was no clear legal foundation for clearing and settlement functions and no legal basis for issuance of asset-backed securities.

Gaps and inadequate or inappropriate regulation — among other problems, Egypt's markets lacked authority to effectively deal with violators of securities laws, a legal basis for self-regulatory organizations, net capital and margin trading regulations for intermediaries, accounting rules for securities bookkeepers, a code of conduct for CMA staff, legal ownership of dematerialized shares, and regulations regarding investment advisors.

Inadequate transparency and disclosure — this was a result of several factors: a lack of rules, inadequate understanding of the newly instituted Egyptian Accounting Standards, poor corporate knowledge of international accounting and the need to hire a capable accounting firm, and the CMA's inability to enforce disclosure requirements.

No self-regulatory organizations — market institutions such as CASE, ECMA, and MCDR had virtually no policies or systems that supported self-regulation.

Inadequate clearing, settlement, and registration procedures — an inadequate legal foundation and undeveloped systems made clearing and settlement cumbersome and slow. There was no central registry and no basis for dematerialized shares.

Organizational and staffing weaknesses across all institutions — few Egyptians had modern market experience. As a result, market institutions had insufficiently trained staff. These institutions also lacked the appropriate organizational structures and capacities to enable them to complete their work efficiently and effectively.

Low volume of trading in fixed-income instruments — government and corporate debt markets had few offerings and virtually no secondary trading.

Poor public awareness of and confidence in markets — financial reporting in Egypt was inadequate and frequently inaccurate. This led to poor public understanding of investment issues such as potential benefits and risks, and undermined investor confidence.

Snapshot of Egypt's Capital Market: 2004

Over the last five-plus years, USAID's Capital Markets Development Project has worked with Egypt's market institutions to help build a market infrastructure that supports local needs while meeting international standards and best practices. As a result, Egypt has:

New and amended laws — Egypt has a new securities depository and registry law, a new real estate finance law, and a proposed amendment to the Capital Market Law that enables asset securitization.

New regulations — CMD helped introduce regulations for minimum net capital and margin trading for intermediaries, operation of Egypt's new Settlement Guarantee Fund, the legal ownership of dematerialized shares, the introduction of bond dealers and primary dealers, and investment advisors.

Improved transparency and disclosure through increased understanding of the Egyptian Accounting Standards, better communication and enforcement of disclosure issues, and CMA's new Online Access to Securities Information System (OASIS), which has a web interface that allows public access to corporate filings.

Increased self-regulating capacity — MCDR and CASE have internal audit functions and improved control systems; the CMA is more supportive toward self-regulatory organizations.

Clear legal foundation and authority for settlement, clearing, and registry functions — MCDR operates with legal authority and has documents and procedures that enable it to meet international standards. New settlement guarantee fund and central registry in place.

Strengthened institutions — MCDR operates according to SRO principles (within legal limits) and has systems and documentation to support its functions and services; CMA is undergoing restructuring that matches departments to regulatory functions; CASE and CMA are trained in surveillance procedures; EIMA has a certification program; the MOF, CBE, and CMA have clearly defined roles in the government securities markets; MOF has a new government debt department; CBE has functional registry for dematerialized Treasury bills.

Improved capacity for trading in government fixed-income instruments – especially Treasury bills, which are dematerialized and transferable by means of an automated book-entry registry. Legal basis for bond dealers and primary dealer system is in place.

Improved public awareness and capacity of financial journalists and the public and better relationships among market institutions and the press. MCDR and CMA produce annual reports that have become increasingly transparent; informational brochures and booklets have been printed and distributed through market participants; a video series is available for public dissemination; financial journalists are better equipped and more confident of their abilities, knowledge, and sources.

CAPITAL MARKET AUTHORITY

MANDATE: Charged to administer Law 95 of 1992 (the Capital Market Law) and with protecting investors, making markets transparent and efficient, and facilitating and promoting market growth.

1998 Snapshot

- The Capital Market Law gave the CMA no real “teeth” to meet its mandate.
- Capacity for market regulation limited by inadequately trained staff and systems; virtually no automation or access to computers.
- Overwhelmed with paper — no system for electronic gathering and archiving of documents.
- Information center collected, rather than disseminated, data.
- Public image and press relations needed to be improved.
- Viewed self-regulatory organizations as a non-compatible to its mandate.
- Surveillance role unclear and overlapping with that of CASE; ability to process cases limited.

- Constant communication and persistent coaching
- Responsiveness to needs; expert advice
- Legal assistance
- Hardware & software
- Formal training
- On-the-job training
- Overseas study tours
- Manuals and guides
- Restructuring assistance; strategic planning

2004 Snapshot

- Improved enforcement, mostly through better communication; CMA still needs stronger legal support to implement responsive sanctions.
- Restructured to match organizational functions; increased skills within most departments; surveillance and inspection procedures formalized and documented; many employees with computer access and Internet skills.
- New OASIS document management system.
- Regular annual reports that include CMA decisions and regulations; also fact sheets and a bulletin published under its own initiative.
- Website, which will soon have disclosure information available through new electronic document management system.
- Excellent working relationship with financial journalists as a result of regular press forums.
- Espouses self-regulatory organizations as a means of ensuring more comprehensive market regulation.
- Uses CASE online surveillance results and focuses on pursuing investigations.

CAIRO AND ALEXANDRIA STOCK EXCHANGES

OUR VISION: To provide investors with an efficient marketplace, promote public trust through regulation and surveillance, educate individual investors, expand investor base, and validate the worth of secondary markets.

1998 Snapshot

- Trading system not capable of supporting growing market needs and meeting international standards.
- No automated surveillance system.
- Conflict with CMA over role to play in market surveillance.
- No dealer-based corporate bond market.
- No internal audit functions.
- No listing or membership rules.

- Responsiveness to needs; expert advice
- Legal assistance as required
- Hardware procurement
- Formal training
- Overseas study tour (surveillance)
- Manuals and guides
- Assistance in developing internal audit function

2004 Snapshot

- Trading system has 18 times capacity of 1998 system; hardware sufficient for needs.
- Automated surveillance system.
- CASE provides online surveillance and CMA uses results to pursue investigations.
- Legal foundation for dealer-based corporate and government bond market in place.
- Fully staffed, trained, and documented internal audit department.
- Listing rules in place; membership, margin trading and minimum net capital rules close to adoption in February 2004.

MISR FOR CENTRAL CLEARING, DEPOSITORY AND REGISTRY

OUR VISION: Robust systems that safeguard securities and funds, standard processing and transparent procedures, containment of risks, competitive settlement costs, industry-based depository, relevant international standards and best practices.

1998 Snapshot

- Had 127 issuing companies, 144 brokerage companies, and 59 bookkeeping companies, and 16 direct settlement participants (banks, mutual funds, etc.) .
- Settlement periods for trades as high as T+8 – that is, trade date plus eight business days.
- Critical need for a settlement guarantee fund for risk-containment, a mechanism recommended by the Group of Thirty on Clearing and Settlement (G-30). Establishment of such a fund was also an unfulfilled requirement of the Capital Market Law, which had been in effect for six years.
- Securities not fully dematerialized, title transfer still complex, and securities could not be held in nominee's name.
- No internal audit function and few other features of self-regulatory organization.
- Inadequate communications network, no firewalls.

- Responsiveness to needs; expert advice
- Legal assistance as required
- Hardware
- Formal training
- Overseas study tours
- Procedures manuals and guides
- Assistance in developing internal audit function

2004 Snapshot

- Has 1,008 issuing companies, 141 brokerage companies, 20 custodian banks, and 19 direct settlement participants.
- Settlement periods for trades never exceed T+3; many trades settle in T+2.
- Functional, effective Settlement Guarantee Fund of LE 90 million.
- Securities dematerialized, securities can be held in nominee's name. MCSD changed name to MCDR to reflect its new role as a central registry.
- Fully documented systems; new internal audit function.
- Operates as an SRO. Has fair participation standards, enforcement of participant rules, fair representation of shareholders and participants, equitable allocation of reasonable fees, and regulator's supervision.
- Operates as a business and is organized and capable to deliver needed services.
- Tightly managed and secure communications network.

CENTRAL BANK OF EGYPT

MANDATE: Safeguarding currency and soundness of banking system, regulating commercial banks, implementing monetary policy, regulating debt instruments.

1998 Snapshot

- Treasury bills and Treasury bonds issued in certificate form.
- Treasury bills were not traded.
- Role in government bond market not clearly defined.
- No mortgage regulation or infrastructure.

- Responsiveness to needs
- Legal expertise
- Hardware & software procurements
- Formal training
- On-the-job training
- Overseas study tours

2004 Snapshot

- Dematerialized Treasury bills; dematerialization of Treasury bonds underway.
- Electronic book-entry registry, clearing, and settlement systems for Treasury bills at CBE.
- Electronic book-entry registry, clearing, and settlement systems for Treasury bonds at MCDR; electronic payment system enables settlement on a delivery versus payment basis.
- Consensus among MOF, CBE, and CMA regarding respective roles in bond market.
- Legal foundation for mortgage lending.

SECURITIES INTERMEDIARIES

OUR VISION: Protect integrity of capital markets, provide forum for market participants to pursue high professional and ethical standards, assist CMA on issues concerning effective development of capital markets.

1998 Snapshot

- No certification programs for EIMA or ECMA.
- No professional code of conduct for EIMA or ECMA.
- ECMA and EIMA had no systems to support operational needs.
- EIMA and ECMA had no public outreach capabilities.
- No malpractice insurance to protect investors.
- No broker participation in funds to cover non-market risks.
- No legal basis for dealers.

- Legal initiatives supported through CMA and other institutions
- Hardware & software
- Formal training
- Overseas study tours

2004 Snapshot

- EIMA has certification program for investment managers.
- ECMA code of conduct
- EIMA has internationally recognized standards of performance for investment funds
- ECMA has systems to support operational needs.
- Brochures, booklets, and videotapes available for distribution to and viewing by ECMA/EIMA members and their clients.
- New Investor Protection Fund will cover intermediary malpractice and other non-market risks.
- All brokers and custodians participate in Settlement Guarantee Fund.
- Primary dealer system for government securities has 11 primary dealers.
- Legal framework in place for corporate and government bond dealers.

3. Building the capital market infrastructure

The starting point: history of the markets through 1998

Providing an enabling environment

Modernizing institutions, systems, and processes

Helping to grow local knowledge and expertise

Encouraging market diversity and flexibility



3. Building the capital market infrastructure

With the “discovery” of Egypt by international portfolio managers, the CASE index skyrocketed from LE 11 billion in 1996 to over LE 24 billion in 1997. In 1998, however, in the face of significant new offerings and uncertainties regarding corporate tax treatment of interest income, the market moved generally sideways and downward. Events in Asia, as well as the denouement in Russia in mid-1998, were a further cautionary influence on Egypt’s capital markets and policy makers. By the time the CMD project began in 1998, it was apparent to all who were watching that Egypt needed to upgrade market functionality, accommodate new investment services, and sustain investment gains over the long term.

The starting point: history of the markets through 1998

The first Egyptian stock exchange was launched in the 1880s in Alexandria. Twenty years later the Cairo stock exchange opened its doors and for the first half of the 20th century Egypt played a major role in the world’s financial scene, ranking fifth among world stock exchanges. As a result of the nationalization efforts of the late 1950s and early 1960s, however, Egypt’s capital markets went into a tailspin. Between 1961 and the 1990s, the capital market tumbled from 56.2 percent of net external private-sector capital to less than 2 percent. The number of listed companies also

dropped — by 80 percent. Trading came to a virtual standstill. The exchanges and their members lapsed into lethargy.

Economic and regulatory reform. In the early 1990s, the GOE began to push a series of market economy and legal reforms in an effort to help liberalize the economy. A milestone in this effort was the Capital Market Law (Law 95), passed in 1992. This law provided a regulatory framework for market institutions and financial intermediaries and showed the government's commitment to revitalize the markets. Its passage was a clear acknowledgement by Egypt of the importance of capital markets in supporting the market economy.

Public offering of state-owned enterprises was the principal method of reactivating the stock market. By the end of 1998, the value of traded shares of privatized companies was LE 7.1 billion, or 38 percent of the nation's market capitalization. Beginning in 1997, privately held companies such as MobiNil and Orascom Construction Industries were offering their shares to the market. These issues attracted both retail and institutional investors. From 1993 to 1998, trading increased more than 40-fold and market capitalization increased more than 9 times.

The market's five-year growth streak faced its first serious challenge in 1998, when financial troubles in Asia shook investor confidence in the world's emerging markets. As investor scrutiny intensified in the wake of the Asian crisis, some emerging markets began to falter. Progress in creating transparent, fair, and secure markets was essential to enable Egypt to survive the volatile world market of the late 20th and early 21st centuries. Such progress would require the coordinated efforts of existing and new market institutions and participants.

A new mandate for the regulatory agency. Although the Capital Market Authority was established by presidential decree in 1979, it was not until the Capital Market Law of 1992 was passed that the CMA was given a mandate to regulate Egypt's capital markets to ensure fairness and transparency. Fulfilling this mandate was difficult, as neither the institution nor its employees had experience in modern capital markets. However, the CMA rose to the task, steadily increasing its capacity to regulate market institutions and supporting improvements throughout the market. In 1998 a number of amendments were made to the Capital Market Law that provided more support for fair and transparent market operations. The CMA was active in promoting and implementing these amendments, which included new approaches for dealing with the brokerage

industry, proprietary trading, bookkeeping and dematerialized securities, disclosure, and bond issuance.

Renaissance of the stock exchanges. At the end of 1998, the volume of traded securities (both on the main markets and over-the-counter trading) was at an all-time high, amounting to LE 571 million. The value of total traded securities was LE 23,364. Although down slightly from 1997, this was still a major increase over previous years. CASE — formed from the merging of the Cairo and Alexandria Stock Exchanges — realized that a new trading system was necessary to comply with international standards and to ensure that the expected higher trade volumes could be processed. In 1998, CASE contracted with EFA, a recognized leader in supplying affordable trading software, to install its new electronic trading system.

The growing need for improved settlement, clearing, and registry of publicly traded securities. MCS D — now known as Misr for Central Clearing, Depository, and Registry (MCDR) — was established in 1994. Its mandate was to serve Egypt's needs for a common clearance and settlement system, and to lead the conversion to electronic share and bond ownership records. Operations began in October 1996 using systems developed with assistance from SICOVAM, as the French central depository was then called. By the end of 1998, 127 issuing companies had joined the depository system. These companies represented over 78 percent of the total trading volume at the stock exchange. The key role played in the expanding market by MCDR underscored the need for a more robust legal foundation.

In 1998, the MCDR launched a state-of-the-art system to electronically connect the bookkeeping operations of some 60 banks and larger brokers to the central depository.⁴ It also moved forward with new rules to expedite the payment of dividends.

Need for increased trading in fixed-income securities. In 1998, nearly all market activity was focused on equities. Since 1994, only nine bonds had been publicly issued, and only two types of fixed-income securities had been offered. The Treasury bill market was small, and there was essentially no secondary market for Treasury bonds.

⁴ A bookkeeper is a hybrid between an issuer's transfer agent and a security holder's custodian; it is appointed by a security holder to administer securities held at the depository in record-entry form securities accounts.

The developing market for fixed-income securities was impeded by both policy and mechanical obstacles. One major hindrance was the lack of clear legal authority for issuing, settling, and dematerializing Treasury securities. Also, there was no primary dealer network that could provide liquidity for the CBE to efficiently conduct indirect monetary policy and with whom the CBE could do Treasury security repurchase transactions (repos). No secondary market of government debt securities existed, partly because of the lengthy issuance period for bonds and bills, during which time these bearer instruments could not be traded by delivery. Another reason for the lack of a secondary market was that purchasers of bills and bonds held these securities until their maturity date. Clear trading rules and a rapid issuance, clearing, and transfer system were needed before a secondary market to develop. The CBE's role in developing financial markets, particularly debt instruments, was critical, yet in 1998, the CBE had no automated systems to monitor trading volumes and fluctuations and no real need for such systems. On top of these problems, few individuals in Egypt had the skills necessary to issue, underwrite, trade, or invest in debt securities, not even for cash management purposes.

Lack of standards and self-regulation for market intermediaries. In early 1998, more than 140 local brokerage firms existed in Egypt. Of these, about 10 had achieved world-class stature and accounted for nearly half of the trading volume on the stock exchange. ECMA, an industry group made up of firms with an interest in Egypt's financial sector, was established in 1996. It aimed to enable market participants to promote high professional and ethical standards and to liaise with the CMA on issues concerning efficient markets. However, its membership was (and still is) diverse, including banks, accounting and law firms, investment managers, as well as the brokers and bookkeepers who execute and settle securities transactions. Because of this diversity, ECMA could not function as a typical professional broker/dealer association; it also lacked the infrastructure and systems needed to become a vibrant industry association. Formed primarily to provide industry participants with a "voice" in the marketplace, ECMA was inadequately financed, provided no self-regulation, and had little training for members.

EIMA, an industry group for firms registered as investment managers with the CMA, was established in 1998. Its members intended to pursue matters of common interest, such as promoting interest in investment through mutual funds and lobbying for regulatory changes. As a fledgling organization, it lacked virtually any organizational infrastructure and offered no training or other benefits to members.

Poor public awareness of market issues. In 1997 - 1998, Egypt was given an investment grade rating from Standard & Poor's and a positive write-up by the International Monetary Fund (IMF) in its annual country report. By 1999, the CMA had authorized Moody's, Standard & Poor's, and Duff & Phelps to issue ratings for Egyptian debt securities. Nile Rating, the first Egyptian rating agency, began operations in 1998. Yet, local market participants had a limited understanding of the role of independent credit ratings. The potential for ratings to be misunderstood and misused was significant.

The lack of understanding was not limited to credit ratings. The general public and even many current investors had a limited understanding of how capital markets operated and the investment opportunities they offered. Inadequate communication and information sharing between capital markets institutions and the media compounded the problem. The CMA's information center collected, rather than disseminated, data, while its public relations staff lacked coordination capabilities and methods for reaching the media. CASE had only recently established and staffed a public affairs office. The remaining institutional partners — MCSD, CBE, ECMA, and the newly-formed EIMA — had no in-house public affairs staffs or significant public affairs capabilities.

Poor financial reporting was common. One reporter noted that a stock had dropped to 25 percent of its value on the previous day, but failed to explain that the stock had had a four-way split. The general public and even some of the market participants knew little about the functions of the CMA as regulator. Many people had a negative opinion about this and other market institutions, and felt that the markets were only for speculators.

Inadequate insitutional development. Within the market institutions, problems were also rife. The CMA staff had limited experience or training in modern marketplace operation and regulation and few resources at their disposal. A weak organizational structure dependent on centralized authority added to its institutional inefficiency. The MCDR had no legal authority for its operations. As a new organization, it needed improved institutional structures, systems, and procedures to grow and adapt to changing conditions. CASE needed better systems and training to support its trading functions; the CBE needed the same to carry out its assigned responsibilities for the Treasury bonds and bills. Market intermediary associations such as ECMA and EIMA were weak and offered few member benefits.

CMD addresses market needs. To address the needs of the Egyptian capital market, CMD collaborated closely with institutional partners on our first year project work plan. Through this and subsequent yearly work plans we developed an implementation framework that allowed us to dedicate resources in a timely manner on issues critical to our institutional partners as well as to the project's goals. Although specific objectives changed throughout the life of the project, from 1998 through early 2004 most of our efforts focused on:

- **Providing an enabling environment** — enhancing the legal, regulatory, and institutional framework to create stable, more attractive markets.
- **Modernizing market institutions, systems, and procedures** — increasing the organizational effectiveness of our counterparts to enable them to meet international standards in accounting, auditing, clearing and settlement, and payment systems and increase system capacity and automation.
- **Increasing local knowledge and expertise** — improving the skills and knowledge of market participants, improving the quality of financial news reporting, and providing the public with accurate information about investing and market operations.
- **Increasing the market's capacity for existing and new instruments and methods of trading** — providing the legal and institutional infrastructure to support the government and corporate bond markets, sovereign bond issues, and securitization (including mortgage-backed and asset-backed securities).

Initially, the CMA asked CMD to address two urgent tasks. The first was to establish a settlement guarantee fund at MCDR, a requirement of the 1992 Capital Market Law that had been attempted previously without results. The second was to strengthen market surveillance capabilities and systems at the CMA and CASE. In addition to these priority areas, we focused on issues identified through joint annual work planning and regular meetings with USAID and our partners.

At the project outset, USAID established a set of three indicators to be met by 2001: (1) a trading value of LE 25 billion for listed and over-the-counter stocks and bonds, (2) a trading volume of 600 million shares, and (3) market capitalization of LE 100 billion. All three of these results were

achieved by the end of 1999. Although these intermediate results reflected the size and activity of the capital market and long-range outcomes, a more important overall result of our efforts has been the increased ability of the capital market institutions to house new functions, instruments, and mechanisms, and ultimately, to ensure fair and transparent operations.

Providing an enabling environment

An inadequate legal and regulatory foundation increases risk and lowers the confidence of investors, thus limiting the efficient allocation of available investment capital. The GOE and the institutions involved in operating and regulating the marketplace realized that Egypt needed to upgrade its legal and regulatory framework to make the markets appealing to long-term investors and potential issuers. The CMD project aimed to help address this need.

Improving the basic foundation. The Capital Market Law passed in 1992 provided the basic operating foundation for the Egyptian markets. CMD helped identify gaps and recommended amendments to this law with the intent of enabling Egypt's markets to function according to international standards and practices. As part of a major move to expand Egypt's marketplace, CMD helped draft a new chapter on securitization for the Capital Market Law, which has been reviewed and finalized by the MOF.

In 2001, a new capital market law was proposed. CMD provided comments and recommendations to the proposed law; however, decision makers decided to shelve this draft and address necessary legal changes through amendments to the existing law. As a result, we have helped draft amendments to the existing law — such as the new chapter on securitization — and have explored the potential of executive regulations and rules as complement to the law.

Additionally, CMD drafted and provided comments on many executive regulations and decrees that have been issued and are now part of the capital market legal and regulatory framework. These include decrees for the settlement guarantee fund, bond dealers, primary dealers, margin trading and net capital, and soon-to-be issued decrees that cover Egypt's unique Investor Protection Fund and stock exchange membership rules. These are discussed in more detail in other sections of this report, as is Egypt's Central Securities Depository and Registry Law.

CMD also drafted regulations for underwriting, venture capital funds and companies, insider trading, price manipulation, and selective disclosure that were not promulgated, but which may form the basis for future efforts in these areas. Likewise, we attempted to bring Egypt's capital market laws to the cutting edge through identifying issues related to the legal underpinnings for bankruptcy procedures and determining how to harmonize the recently adopted bankruptcy provisions in the Commercial Code with the Capital Market Law and other related laws. The intent was to protect investors whose assets are held by a bankrupt or insolvent broker or bookkeeper and to prevent the receiver of a bankrupt broker from voiding the broker's contributions to the Settlement Guarantee Fund as a fraudulent preferential payment. However, resistance toward amending the recently enacted bankruptcy provisions, combined with the limited personnel resources of both the project and the involved institutional partners, made it difficult to move forward with the drafting of new laws or regulations in this complex area. We also made efforts to introduce new provisions to the commercial code on the negotiability of securities, over issue of securities, and the rights and obligations of issuers, direct and indirect security holders, and registry⁵, but found that Egypt's market participants were not fully ready to take these steps.

Creating a strong legal foundation for settlement, depository, and registry functions. An immediate need at the outset of the CMD project was to establish a legal foundation for the operation of the MCDR. CMD advised on many related issues: establishing a single, national central depository; changing the date of securities ownership from trade date to settlement date; characterizing book-entry securities as fungible; establishing sanctions for defaulting participants; and handling records proving ownership and corporate governance. In addition to input on policy issues and extensive comments on the Central Securities Depository and Registry Law before its 2000 passage, CMD drafted a complete set of executive regulations for its implementation. This law and its implementing regulations equipped Egypt with a legal framework for clearance, settlement, depository, and registry operations that met international standards.⁶ After the executive regulations were issued, we helped MCDR implement the new legal requirements. Rules for the reallocation of share capital among MCDR members were issued and approved, and CMD

⁵ These provisions would have been similar to the US Uniform Commercial Code, Article 8 on Investment Securities.

developed a proposed fee structure for members that will allow MCDR to finance its operations and investments and allocates user costs equitably, as a self-regulatory organization (SRO) should. These fees will be implemented as soon as the MCDR bylaws are amended to reflect the changes.

Lessening settlement risks. Two types of risks exist in the capital market arena: market risk and non-market risk. Market risk — risk associated with market price fluctuations — is accepted by all investors as part of the investment process. Investors, however, are loath to accept non-market risks incurred as a result of market infrastructure, such as financial intermediary actions or trading and settlement systems.

A primary function of the clearing and settlement facility is reducing non-market risks. One way clearing and settlement companies manage these risks is through controls used in their daily operations and systems. These include strong audit and internal audit functions, facility and network security, and disaster recovery and business resumption plans – all of which CMD helped MCDR implement (see *Modernizing institutions, systems, and processes*). Implementing settlement on a true delivery versus payment (DVP) basis⁷ and implementing rules that prevent the possibility of trade cancellation are other means of lowering risks.

Another way to manage non-market risks is through specialized mechanisms that distribute the risks and apportion them back to participants. CMD began work on distributed risk management early in the project, providing market participants with options for the design of a settlement guarantee fund and drafting fund rules. We also provided public relations support in preparation for the launch of the fund. Since the inception of Egypt's Settlement Guarantee Fund, virtually all trades settle by T+3, the international standard, and the most liquid securities settle by T+2.

The development of the Settlement Guarantee Fund highlighted the need for participation standards to be developed for the MCDR. These standards serve as the first line of defense against risks. CMD helped draft the master services contract and participation standards and advised on modifications to bring them into agreement with the CMA's settlement fund decree.

⁶ CMD lobbied for the depository law and its executive regulations to include provisions on bankruptcy that would meet standards set by IOSCO, the G-30, and the Bank for International Settlement. As has happened in many other countries, these efforts encountered resistance from counterparts on public policy issues.

We also worked with the CBE and MCDR to implement procedures for enhanced DVP that were implemented in late 2003. The CBE now debits clearing banks' accounts based on MCDR instructions and then provide confirmation of payment to MCDR, thus triggering the delivery of the securities. This process ensures that funds paid upon the delivery of a security are available the same day and that payments are final and irrevocable at the level of the CBE payment system. As a result, Egypt's DVP process is now in full accord with the international DVP standard.

⁷ DVP settlement ensures that the transfer of securities and funds between counterparties to the trade is simultaneous, final, and irrevocable at the level of the central bank.

A rapid success: Egypt's Settlement Guarantee Fund

"USAID helped us develop a settlement guarantee fund that not only works, but works for Egypt. The Egyptian SGF was not ready-made or copied from the experiences of another country; it was developed by the people who will use it. The SGF is therefore an excellent example of U.S. – Egyptian cooperation." — *from a speech by Mohamed Abdel Salam on February 25, 2003*

The Settlement Guarantee Fund (SGF) was established on January 11, 2000 in accordance with a decree issued by the CMA. This was the culmination of a fast-track effort by the CMD that began in late 1998 with a paper that presented options for designing and establishing the fund and continued with fund design and drafting of the CMA decree.

What is the SGF? The SGF guarantees that settlement of securities transactions will occur, even if a broker, a custodian, or a client fails to deliver securities or payment in a timely fashion. It uses a funding calculation formula that enables settlement of the largest possible market default based on trade values that occurred in the previous three months. The fund, which contained LE 11 million when it was launched, has now grown to LE 90 million.

The SGF fund is administered by Egypt's central securities depository and registry (MCDR), and managed by a committee made up exclusively of representatives from market institutions and industries that contribute to the SGF. The fund illustrates the commitment of brokers and custodians to build a reputable securities industry and their willingness to accept financial responsibility to achieve this goal. It demonstrates that the CMA, MCDR, and the broker/custodian community are working together to implement international best practices. The final result is a stronger investment environment and increased investor confidence in Egypt.

Impact. The fund had two immediate positive impacts. First, press releases and comments received from representatives of foreign banks and local branches of international banks indicated that it increased the confidence of foreign investors in Egypt's markets. Second, suspended settlements decreased. In the quarter prior to the establishment of the fund, there were 11,304 settlements pending on the third day after trade (T+3) and 160 unsettled trades on T+5. After the first quarter of SGF operation, there were only 3,156 pending settlements on T+3 and all settlements were completed by T+5.

"The SGF has yielded very impressive results. So far, the fund has eliminated unsettled transactions, which used to account for 5 percent of all trades on the stock market. And, especially in the last two years, the SGF has helped prevent a domino effect on the stock market." — *from a speech by Mohamed Abdel Salam on February 25, 2003*

Minimum net capital and margin trading regulations. Net capital and margin trading became part of the working vocabulary of Egyptian brokerage firms and their customers, thanks in part to CMD efforts. Minimum net capital regulations require brokers to have sufficient liquid net worth to honor unexpected immediate financial obligations on a timely basis, while margin regulations offer an opportunity to increase trading and enhance market liquidity by defining the conditions upon which brokers can provide credit to their customers to purchase securities. These conditions include defining the obligations of customers to their brokers and prudential regulations that require brokers use due diligence in ensuring that customers are capable of meeting their obligations resulting from margin purchases. CMD drafted a decree and executive regulations to the Capital Market Law governing margin trading and setting net capital⁸; these regulations were promulgated in 2002. Subsequently, CMD helped the CMA prepare a press conference announcing the new regulations and organized an ECMA-sponsored workshop on margin trading.

The initial draft of the margin trading implementing rules, developed by CASE, did not meet CMA expectations. CMD worked closely with CASE to review and revise these rules and engaged a short-term expert to assist with this effort. The implementing rules were drafted and finalized by CMD advisors and were ready for issuance by the end of the project.

In addition to press conferences, CMD delivered workshops on margin trading for eligible and potentially eligible brokerage firms and prepared two guides about the benefits and risks of margin trading — one for CASE staff and one for brokers. CMD information technology specialists worked with CMA and MCDR information technology staff to catalog system requirements for margin trading operations and to develop an electronic system that will allow the margin trading brokers to file information electronically with the CMA, CASE, and MCDR. To help brokers disclose the required information in the proper form to their customers, we prepared a model regulatory statement, which describes margin trading concepts, rules, risks, and opportunities. This statement also serves as an educational guide to margin trading for investors.

An investor protection fund for Egypt. The establishment of an investor protection fund first became an issue for the CMA and USAID about midway through the project. In 2003, CMD began to build on our earlier efforts to determine what was needed to institute such a fund. We

⁸ Net capital requirements were established only for bond dealers and brokerage firms offering margin trading.

provided a concept paper that identified the features, operation, and implementation of an IPF and discussed these elements with the brokerage community. Through real-world examples, this paper and the subsequent discussions illustrated the structure of an investor protection fund, its risks and coverage for beneficiaries, funding and payout mechanisms, ability to recover funds, management and regulatory oversight, powers and sanctions, and implementation.

With input from CASE, ECMA, and the CMA, CMD finalized a draft decree for Egypt's Investor Protection Fund, which was slated for issuance by the Prime Minister at the end of the project. Originally, the fund was intended to protect investors' securities and cash held by licensed financial intermediaries in a state of insolvency or bankruptcy. Later, the scope was broadened to include protection against risks that are usually covered by professional malpractice insurance and financial institutional bond insurance. CMD also drafted rules and an implementation plan for the fund. These were in the process of being finalized in February 2004 and were expected to be issued shortly after project closure.

An Egyptian solution to protect investors from non-market risk

Egypt's Investor Protection Fund (IPF) was originally envisioned as a standard protection fund that would protect investors from losses of cash and securities incurred because of the bankruptcy or insolvency of the broker who held their assets. As CMD worked with the CMA and others to develop this fund, however, all parties began to realize it should be broadened to cover losses incurred through other non-market risks such as fraudulent practices, broker errors, theft by employees, counterfeiting, and fire. These types of losses are normally covered by professional liability insurance or "financial institutional bond" insurance, neither of which are common in Egypt.

How the fund is supported. Egypt's Investor Protection Fund is designed to be supported by mandatory contributions from designated financial intermediaries, namely, brokers. Unlike the US investor fund model, in which participants are assessed on the basis of broker revenue, the contributions for Egypt's IPF are set at a fixed rate per transaction. If a loss is incurred as a result of broker malpractice or failure to meet obligations, the fund will cover the investor's loss up to a maximum of LE 100,000. However, the responsible broker is obligated to replenish the fund for the amount paid out. The fact that repayment of the fund must come out of the responsible brokerage firm's pocket will make firms tighten their internal controls. As a result, we expect these firms will become more careful to ensure that their staff is well-trained and their operations are in good order.

Long-term benefits to brokers and investors. Because this fund covers losses from a wide-range of possible occurrences – including those usually covered by insurance – broker contributions may seem somewhat onerous at first. Eventually, however, this fund will be less expensive for brokers than the combination of contributions and premiums for a more traditional investor protection fund and separate insurance policies. As brokers implement controls and policies to prevent incurring losses as a result of employee mistakes or fraud, there will be fewer payouts and lower contributions needed to keep the fund operable. Lower costs for the brokers will ultimately translate to lower costs for investors — and better overall protection.

Modernizing institutions, systems, and processes

Automation is essential for modern financial markets: it increases processing volume, accuracy, timeliness, and reliability. Even more important, however, are the staff, organizational structures, systems, and documented operational processes that support and underlie these automated systems. Without clearly defined responsibilities, structures, and internal and external procedures, market institutions are not sustainable in today's fast-paced and rapidly changing marketplace. The documentation of systems helps to rationalize and standardize the approaches used and ensure transparent, fair, and predictable processes that incur minimal risks.

CMD worked closely with institutional partners to improve their organizational capacity and efficiency, document systems and operational procedures (both internal and external), and provide required hardware and software for critical systems and functions. Formal and on-the-job training was provided to help transform market institutions from centralized organizations, driven by a few top-level individuals, into responsive, effective, and efficient organizations. Throughout the project, CMD advisors helped CASE, MCDR, ECMA, and EIMA take steps to reach organizational maturity and be recognized by the CMA as self-regulatory organizations.

Developing stronger, more effective organizations. A combination of initiative and CMD assistance enabled the MCDR to become an internationally recognized depository in an amazingly short time. Within five years from beginning its operations in 1996, MCDR obtained near-perfect marks for operations from JPMorgan Chase. This rating qualifies MCDR as an eligible foreign custodian, which can serve as a depository for securities owned by US-registered mutual funds and their global custodians.⁹ Representatives from regional securities depositories such as Tunisia, Algeria, and Kuwait now come to Egypt on study tours to learn about the systems and procedures used by MCDR. Much of the credit for this rapid evolution goes to MCDR's forward-looking management and hard-working staff; however, CMD also played a major advisory role, from the design phase through implementation.

⁹ According to the strict rules set by the U.S. Securities and Exchange Commission (Rules 17f) under the Investment Companies Act.

A story of cooperation: How MDCR became Egypt's model market institution

In 1996, Misr for Clearing, Settlement and Depository (now the MCDR) began work in a basement with 15 employees on loan from the Capital Market Authority. In 2001, JPMorgan-Chase awarded the MCDR "best practice" –1.25 on a scale of 1 to 3 – for its services. To obtain this rating, MCDR was judged against the tough standards set by the US Securities and Exchange Commission for foreign custodians of assets of U.S. investment companies.

MCDR vision and CMD assistance. How did this transformation take place? The vision of the MCDR management was the driving force. This institutional partner constantly worked to increase its capacity and systems, and sought and followed CMD advice. As a result, through ongoing collaboration, CMD:

- Provided extensive input to Egypt's draft depository law and regulations.
- Served as a catalyst for the development — by the MCDR and its participants — of the Settlement Guarantee Fund and the central registry functions of the MCDR.
- Analyzed computer resources and security, procured a network management system and MCDR's first security firewalls, and provided training for MCDR staff.
- Drafted rules governing capital allocation, directorship, profit distribution, and periodical review of share capital allocation, which were issued and approved by the general assembly of shareholders.
- Helped establish budget and costing systems, a new organizational structure, pricing policies, procedures manuals for staff and participants, and an internal audit function.
- Supported MCDR efforts to develop an internal training department .
- Helped MCDR develop its first comprehensive disaster recover and business resumption contingency plan in writing.
- Supported efforts to develop an interactive help desk and website.
- Delivered a master service agreement that complies with international standards and operating rules between MCDR and its participants for all MCDR services.

Impact. MCDR's transformation has been dramatic, and the organization freely acknowledges CMD contributions. In the words of Mohamed Abdel Salam, the Deputy Chairman and Managing Director of the MCDR:

"The CMD project has gone beyond simply writing reports. CMD has assisted with the implementation of its recommendations . . . MCDR has come a long way in seven years, and we proudly acknowledge that we achieved many successes in cooperation with our American counterparts."

The CMA also welcomed CMD assistance with organizational strengthening. CMD helped the CMA define its organizational functions as a “pure” regulator and reorganize along these functional lines. This involved a careful process of analyzing the existing work flow and developing and drafting an implementation plan for restructuring. Working closely with the CMA, the project completed this process in 2003 and provided finalized versions of the new organizational structure, functional departmental statements, and job descriptions.

Training on the strategic planning process led to a CMA mission statement — now included in CMA publications — and the outline of a workable five-year strategic plan approved by the Chairman. To ensure that the plan could be implemented, CMD provided a follow-up schedule for implementing this plan and a strategic planning manual for the CMA team. We also developed a concept paper for the establishment of a sustainable training function within the CMA, with systems for knowledge exchange, and conducted training needs assessments as needed.

In addition to our restructuring efforts, CMD demonstrated its commitment to building in-house expertise at the CMA through its work with individual departments. We achieved positive results in terms of institutional development, sustainability, and counterpart satisfaction by our responsiveness to the Chairman’s specific requests and — most importantly — by mentoring CMA professionals as we addressed these requests. Through this process, we developed a staff of competent technical researchers and analysts as well as improved public affairs capabilities.

We believe our close collaboration with the CMA helped change ingrained attitudes about its role in the marketplace. CMA now talks positively about self-regulatory organizations, a catchphrase that some CMA staff once eschewed. Although controls still need to be relaxed to allow institutions such as MCDR and CASE to be truly self-regulating, much progress has been made.

During 2000, the MOF requested assistance from CMD with its first issue of international bonds and development of a primary dealer system for government securities. We advised on the establishment of a debt management unit within the MOF and helped to recruit a qualified employee to oversee the development of this department. Training and support for this department has continued since that time.

The CMA gets a facelift on its 25th anniversary

As the CMD project ends, the CMA is preparing to celebrate its 25th birthday. Throughout most of its 25-year history, the CMA's organizational structure has remained static. Considering the transformations that have occurred in Egypt's capital market and the evolution of market infrastructure, it was obvious that structural changes were needed within the organization to better support its evolving role. Early in the project, the CMA Chairman, Abdel Hamid Ibrahim, asked for CMD assistance to help reorganize the CMA to reflect its regulatory functions. Based on CMD recommendations, the CMA is now being restructured into seven departments and offices that reflect its role as a securities regulator.

Restructuring process. CMD assisted the CMA in the restructuring process through a three-phase process. First, we began to familiarize CMA management and staff with the role and structure of a "typical" securities regulator through workshop discussions led by a US Securities and Exchange Commission advisor. Next, based in part on regulatory principles set forth by IOSCO, we made preliminary recommendations to organize the CMA along functional lines, adding several new functions and discontinuing functions that were duplicative or that should be housed at other market institutions. Many of these recommendations were based on earlier work we had done to define the work flow and functions of the CMA. After we revised our recommendations to include comments from the Chairman, we organized the functions of the restructured departments into logical units to optimize the performance of regular activities. Finally, we reviewed the restructured departments and groups to ensure that the new CMA structure would be able to meet applicable legal and regulatory requirements.

Impact. Restructuring along functional lines creates greater efficiency and effectiveness because it eliminates the duplication of activities among departments. Before, related functions were dispersed throughout the CMA's organization, making it difficult to track accountability. Centralizing functions within a department focuses the department on its primary mission and decreases distractions or interruptions in the work flow.

Functional reorganization also helps build staff expertise. Under the new structure, for example, the Corporate Finance Staff will become experts on disclosure because their daily work involves the ensuring that disclosure and reporting requirements meet legal and regulatory provisions. Likewise, Inspection and Surveillance staff will develop specialized expertise in the functions performed by their departments.

The actual implementation of the restructuring will continue well beyond the end of the project. More importantly, its benefits will enable the CMA to function more effectively as a mature regulatory organization.

One of the tasks to which CASE was receptive to CMD assistance was the development and implementation of an effective internal audit department. CMD subcontractor Zarouk, Khaled, & Co. developed and implemented an eight-phase plan for this process, which included evaluating the existing internal audit function, establishing an internal audit department, developing and documenting audit policies and procedures, developing audit programs, conducting on-the-job training, and arranging through the DT2 project for CASE auditors to be prepared to sit for the Certified Internal Auditors (CIA) exam. Acting on CMD recommendations, CASE hired two new internal auditors; our staff worked with these new CASE employees to orient them and to finalize the organization's audit policy manual. CMD assistance in this area allowed the stock exchange to strengthen internal controls and monitor all areas of operation, helping CASE move closer to becoming a self-regulatory organization.

Providing a modern central registry. Soon after the implementation of the Central Securities Depository and Registry Law and its regulations, the MCDR applied to the CMA for a license to establish and operate a central registry of securities. Before the license was granted, CMD was requested by both the MCDR and CMA to provide American expertise to help develop Egypt's central registry. We succeeded in negotiating and concluding a contract with Mellon Consulting, an affiliate of Mellon Investor Services — the largest securities transfer agent in the US — to assist with this task. The project sponsored intensive preparatory workshops and on-the-job training that allowed MCDR managers to discuss approaches for operating a central registry in Egypt and presented extensive information about risk management, information technology audits, and documentation of operational processes. Through the concentrated efforts of CMD and Mellon, Egypt had a functional central registry by the autumn of 2002.

Increasing the capacity to regulate issuers. Corporate disclosure is the most important prudential element in a modern capital market, and is essential for market transparency. The most important role of a regulator in this respect is to make sure that issuers make full, fair, and timely disclosure of all material information about their business and financial status to investors. Adequate corporate disclosure to ensure market transparency was and remains a major issue facing Egypt, although significant progress has been made in this area.

Bringing in experts: Mellon consults on Egyptian central registry

When the CMA requested American expertise to help develop a central registry for Egypt, Chemonics began a search for suitable options. Our solution was a winning one: with USAID approval, we negotiated a subcontract with Mellon Consulting, an affiliate of Mellon Investor Services. This was a rare opportunity for Egyptian market institutions to obtain high-caliber expertise from the premier transfer agent in the US.

Mellon assesses MCDR practices. Working closely with CMD, MCDR, and the CMA, Mellon reviewed current MCDR practices and compared these to “best practices” in the overall management of a central registry service. Mellon found that most of their best practice recommendations for clearing, settlement, and depository services either had been implemented or were being implemented by MCDR, with CMD assistance. For example, CMD was already assisting with the development of operational manuals, user guides, disaster recovery systems, and internal audits.

Implementation of central registry. After this initial review, Mellon moved forward with recommendations for implementing a central registry by providing procedural outlines for eight basic registry functions selected by MCDR. Because Mellon was not familiar with the Egyptian context and needs, it was critical for CMD advisors to stay closely involved throughout the entire process by reading, modifying, discussing, and reformatting Mellon’s recommendations prior to their submission to MCDR. CMD assistance coupled with workshops and on-the-job training, enabled MCDR personnel to develop detailed procedures, establish systems, hire personnel, and implement computer systems.

CMD also helped MCDR create a complete set of internal and external operating procedures. Creation of external procedures was an important milestone, as it enabled MCDR to better communicate its services to market participants and thus promote compliance with processes and foster greater transparency, predictability, and confidence in market operations. CMD worked constantly with subcontractor Mellon — both in the US and Cairo — to bridge communications between the Mellon advisors and the MCDR and to help 15 MCDR professionals gain practical in-depth knowledge of registry functions, services, and procedures. Through CMD efforts, these individuals also dramatically improved their technical writing abilities, becoming a critical resource for future documentation efforts.

Impact. The central registry was functional by the fall of 2002. Policies and procedures, including external operating procedures, were formalized later that year. The confidence that other market institutions have in the central registry was illustrated by the decision of the MOF and CBE to designate MCDR as the official and sole registry for Treasury bonds.

Disclosure consists of two elements: financial and non-financial. Financial disclosure is governed by the need to know, presented in accordance with applicable accounting and auditing standards. The adoption of the Egyptian Accounting Standards in 1997 was a major step forward for Egypt; these standards correspond fairly closely to the International Accounting Standards. In an effort to improve the ability of Egyptian companies and market participants to understand financial disclosure documents, CMD prepared an Arabic-language publication adapted to Egyptian Accounting Standards entitled, *An Investor's Guide on How to Read Financial Statements and Annual Reports*. Over 10,000 copies of this guide have been printed and distributed under the auspices of ECMA. The project received numerous letters of commendation for this publication, including one from the Minister of Foreign Trade, Yousef Boutros Ghali, and one from the Ministry of Public Enterprises. We also prepared an Arabic manual on accounting, auditing, and disclosure malpractices to assist the CMA in enforcing disclosure requirements for issuers of publicly listed securities and a technical reference guide for financial analysis that covers the analysis of financial statements, financial decisions, investment decisions, liquidity, and profitability.

To keep the CMA abreast of ongoing developments that govern the preparation and presentation of financial statements of publicly held companies, we developed a report on trends for updating accounting and auditing standards in the UK and US and provided specific recommendations for updating corresponding Egyptian standards. In January 2004, we drafted a guide for CMA staff to help them review the initial and ongoing disclosure of companies issuing fixed-income securities. This guide included relevant procedures and checklists to determine the compliance of prospectuses, offering memoranda, and periodical disclosure filings for bonds.

For non-financial disclosure, CMD recommended that Egypt adopt the International Organization of Securities Commissions (IOSCO) standards. Although there is still much ground to be covered in defining and clarifying disclosure regulations, we have witnessed a real change in attitude toward and capabilities for corporate disclosure over the course of the project. For example, the CMA is now considered a regional leader in designing and implementing corporate governance standards. With CMD preparatory assistance, the Chairman presented a paper on unified Middle East and North Africa (MENA) regional standards for corporate governance at a global corporate governance forum held in Paris in November 2003.

Increasing the capacity to regulate market intermediaries. In addition to issuer oversight, the CMA is charged with regulating market intermediaries. CMD helped improve CMA's ability to conduct adequate field inspections of market intermediaries through targeted training. In 2002 and 2003, we drafted and revised three procedures manuals on inspections of brokerage and portfolio management companies, investment funds and fund managers, and self-regulatory organizations pursuant to existing Egyptian law and executive regulations. To ensure that CMA staff understood the inspection process, we provided ongoing, sustained assistance, including a two-day workshop for 25 CMA staff. This workshop covered inspection preparation and planning, procedures, and oversight, as well as financial issues, customer relations, computer systems, and common abuses.

The prevention, discovery, and prosecution of fraud and financial crimes are also critical regulatory functions. CMD helped draft CMA rules for anti-money laundering and prepare for eight workshops on fraud and financial crimes for compliance officers of securities companies. We also conducted two workshops for CMA inspectors, established a checklist for on-site inspections of securities companies, and helped develop a scheduling and inspection program that enabled the CMA to address priorities with available internal resources.

Market surveillance procedures and training. CMD efforts to assist CMA and CASE with market surveillance had a rocky start. A prevalent opinion in Egypt in 1998 was that surveillance could be completely automated. In particular, the CMA had been led to believe that surveillance software could identify and analyze all trading irregularities. Through persistent efforts, we encouraged a more realistic approach to surveillance. CMD training helped staff better understand, identify, and investigate potential problems related to insider trading and market manipulation. We provided CMA staff with surveillance procedure manuals for this key area of market regulation and also helped improve CMA's physical work area for surveillance.

Overseas study tours were key to improving Egypt's approach to surveillance. CMD conducted two study tours to the US on market surveillance and enforcement in February 2002, both funded through DT2. The first tour was for two senior CMA advisors who were responsible for CMA surveillance activities, while the second was for market surveillance staff of the CMA and CASE.

Market surveillance: Exploring methods and limitations

Strengthening market surveillance was a major concern of the CMA at the outset of the CMD project. Overlapping and poorly defined responsibilities between CASE and the CMA interfered with the creation of an integrated approach to surveillance and made it difficult for CMD to provide meaningful assistance in this area. In an unusual strategy, we arranged a study tour to the US that included staff from both the CMA and CASE — the first time surveillance staff from these institutions had worked together.

Lessons from the tour. During the two market surveillance and enforcement tours, participants learned that, in the US, market surveillance is carried out exclusively by the exchanges. The role of the Securities and Exchange Commission (SEC), the US counterpart to the CMA, is limited to oversight activities. For example, the SEC receives referrals of cases that the exchanges cannot pursue due to lack of jurisdiction. Participants also learned that investigations resulting from surveillance activities must be ranked according to priority, with the regulator concentrating on those investigations that send broad messages to the marketplace. This prioritization is necessary to make effective use of limited investigative resources, since no exchange or regulator in the world has sufficient staff to pursue every suspicious trading event.

On-the-job support in Egypt. Informal and on-the-job training for CMA staff, including participation in brokerage firm inspections, continued once the staff returned to Cairo. When a USAID project evaluation team from Management Systems International interviewed the CMA surveillance staff in mid-2002 they noted that the staff was informed and enthusiastic, and that cases of unusual trading activity noted by the staff had increased about 50 percent since training had been completed. CMA staff praised the study tours and the Arabic version of the surveillance procedures manual provided by CMD, noting that it was much more relevant after they completed the US study tour. The assessment team agreed, observing that “The surveillance manual prepared by the Project is excellent.”

Impact. As a result of our training efforts, CMA staff told us that they had been able to pursue and complete a record number of investigations — four insider trading cases and two market manipulation cases — within a matter of months. Also, by late 2002, CASE had assumed the responsibility for online surveillance, with the CMA depending on CASE reviews and analyses to conduct investigations. This was a notable change from earlier years, when CMA believed it had to maintain its own online surveillance program. In addition to better surveillance, the relations between the two institutions had greatly improved. CMD had originally recommended this division of responsibility in a 2001 report, and we firmly believe our efforts played a significant role in helping the institutions develop a more cooperative and comprehensive approach to market surveillance.

Developing the capacity to self regulate. According to standards followed in the US and other countries with developed capital markets, SROs must operate according to principles that assure equitable allocation of costs, fair treatment and representation of participants, and enforcement of member rules and behavioral codes — including the ability to sanction noncompliant members and the right of members to appeal decisions to the regulator. These strict membership policies allow SROs to play a major role in market regulation.

The Egyptian laws that govern the capital market specifically appoint the CMA as the sole market regulator. Legally, the CMA is not allowed to delegate this authority to other institutions, and thus organizations such as CASE and ECMA cannot gain full SRO status without legal changes. Despite this, CMD made significant progress in promoting SROs. First, the CMA has developed an accommodating — even supportive — attitude toward SROs, a sharp contrast to the CMA opinions we perceived at the outset of the project. We believe this is a result of the educational and on-the-job-training efforts of the CMD and sustained discussions with CMA officials. Throughout the project we repeatedly delivered the message that the regulator cannot be supervising daily activities, but should monitor the overall performance of SROs to assess compliance with capital market laws and regulations.

Second, CMD provided extensive technical assistance to help market institutions increase their self-regulatory capacity. Below are some examples of this increased capacity.

- **MCDR made major gains in its ability to self-regulate** through extensive organizational development, documentation of procedures and pricing policy. Thanks to CMD onsite assistance, MCDR now has a strengthened internal audit function, participation standards, and a participant advisory committee, all major features of self-regulation. Sound budgeting practices and reasonable fee policies have been instituted with CMD help, along with master service contracts for depository, clearing, settlement, and registry services that comply with international standards and operational rules. CMD helped develop an initiation package for MCDR board members and an employee code of conduct that cover best corporate governance practices, the special role of a regulated, user-owned depository and clearing and settlement organization, a pledge of

confidentiality for employees and directors, and a form for disclosure of conflict of interest (for directors). MCDR also created public communications and training departments with CMD assistance.

- **CASE moved toward self-regulation** in 2002 with new listing rules, formulated with advice from CMD. CMD securities law subcontractor Winston & Strawn helped redraft the initial membership and arbitration rules, working closely with CASE and the CMA to ensure compliance with international best practices. In accordance with a CMA request, the membership rules will become part of the executive regulations to the Capital Market Law. CMD also advised on new drafts of board of director rules and helped CASE develop an internal audit department and capability.
- **CMD created a certification program for investment managers in partnership with EIMA.** The program is Egypt's first certification program organized by an industry association. The first graduates of the program, certified in 2002, were funded in part through the DT2 project; the program is now self-funding. CMD also sponsored study tours for investment advisors, funded through DT2.
- **With CMD help, EIMA adopted reporting standards for mutual funds.** These Egyptian Investment Performance Standards were based on the Global Investment Performance Standards developed by the Association of Investment Management Research (AIMR). In 2003, they were approved by AIMR's Investment Performance Council, making EIMA the first industry organization in the region with internationally accepted performance standards.
- **CMD provided ECMA with extensive background information, training, and a major study tour** to emerging and developed financial markets to help hone ECMA's plans to become an SRO representing the securities industry. We also developed a report for the CMA on the certification requirements for principals and representatives of securities intermediaries in the US, with recommendations for the application of a similar system Egypt. However, we believe ECMA must take the critical step of defining its

mission and goals before more progress is made in this area. Considering its diverse membership, for example, it may function more appropriately as an industry association whose broker members are regulated by CASE and CMA than as a SRO broker/dealer association.

Promoting Egypt's participation in international and regional organizations. With DT2 funding, CMD sponsored the participation of MCDR representatives to the last three international conferences of central securities depositories (held in 1999, 2001, and 2003). Through these conferences, MCDR became familiar with international standards, current and imminent industry issues, and the international community of depository representatives. After the 2003 conference, MCDR took the initiative to form an association of central securities depositories for Africa and the Middle East, which was previously the only region without such an association. CMD supported this initiative, working with MCDR, the Chemonics-implemented USAID Achievement of Market-Friendly Initiatives and Results Program (AMIR) project in Jordan, and the Jordanian depository to craft a mission statement and bylaws for the proposed association.

CMD also supported the attendance of CMA Chairman Abdel Hamid Ibrahim at various regional and international conferences by helping to research and prepare materials for speeches and providing public relations assistance.

Developing a planned approach to gain support for an international financial service center. A number of the initiatives we undertook were not part of our identified scope, but the result of direct requests from our partners. One such request was from the CMA, who asked us to examine the idea of establishing an international financial services center (IFSC) in Egypt. CMA management believed that such a center could attract regional and international financial services companies and provide increased opportunities and employment for Egyptians, but needed help in preparing a presentation to gain high-level support for further investigations.

The CMD helped sell this plan to top Egyptian decision-makers Prime Minister Atef Ebeid and Minister of Foreign Trade Yousef Boutros Ghali. We stressed Egypt's historical role as a gateway

to the Arab world as well as lessons learned from Ireland's IFSC, which dramatically transformed Dublin into a European financial hub and greatly improved the standard of living. Following the presentations, the Prime Minister requested an IFSC master plan to enable him to propose the idea formally to the Cabinet.

The CMA requested additional assistance in preparing a master action plan, which describes what needs to be done to enable the creation of an Egyptian IFSC that could compete with other IFSCs throughout the world. The plan also recommended actions to address specific legal issues that need to be addressed before an IFSC could become a reality. All parties agreed that this information needs to be disseminated and discussed among pertinent stakeholders and government officials before the next step is taken.

Supporting the development of automated systems. One of the issues identified in the project design was the need to support the implementation of the new automated trading system. CMD procured more than \$1 million in hardware — including servers, workstations, and routers — to support the software system purchased by CASE before the project began. The new hardware provides for a “hot” backup system in the case of system failure, a “warm” disaster-recovery system (used also for training purposes), and new communications servers to handle increased network traffic and connect the exchange to the MCDR, CMA, and an information provider. The new trading system, launched in 2001, has significantly increased trading capacity and efficiency.

CMD led a major advance in automation at the CMA with the new Online Access to Securities Information System (OASIS). This electronic document management system allowed the CMA to deal with a five-year backlog of over 2 million pages of filings made by listed companies and is now used to capture all new financial statement filings electronically.

To implement an electronic book-entry registry for Treasury bills, CMD procured hardware for the CBE — including a server, eight work stations, and printers — through local bids and developed software in collaboration with CBE information technology staff. An automatic link enables the registry to connect to the SWIFT system at banks; we also provided the CBE with a workstation to host the SWIFT software. The system was fully operational by June 2002.

OASIS: A refreshing change at the Capital Market Authority

The new Online Access to Securities Information System (OASIS) is a major advance for the CMA, which was being threatened by an avalanche of paper from issuers and other market participants. The heart of OASIS is a document archiving system, procured by CMD, that will allow the CMA to electronically store, index, retrieve, and use documents.

OASIS is similar in function to the US Electronic Data Gathering and Retrieval (EDGAR). The new system supports both Arabic and Latin text and accommodates the posting of corporate filings — such as financial statements and prospectuses — on the CMA website for public access. The system will also support the planned electronic filing of this information as portable document files (PDF), text files, and spreadsheets.

Working in collaboration, CMD and the CMA used a four-stage approach to implement the OASIS system. First, in 2000, we brought an EDGAR information technology specialist to Cairo to give a presentation to the CMA on EDGAR's functions, design, costs, and implementation experience and on the requirements for implementing an EDGAR-like system in Egypt. Next, CMD procured the hardware for the system, which includes a server, four scanners, two laser printers, and four workstations. After developing the hierarchical archiving structure and testing Internet connectivity, we oversaw the conversion of a test number of company filings and historical financial statements (approximately 600,000 pages of documents).

During the next stage, we led the effort to design a user-friendly portal that enables information to be posted on the CMA website, and helped award a service contract to convert another 1.5 million pages of historical documents. We also trained CMA employees to be able to scan all new financial statements as they are received.

The final stage of implementation, which will include the electronic gathering of information and the scanning of all remaining historical documentation, will take place at the CMA after the end of the CMD project.

Over the course of the project, CMD responded to other automation needs of our partners:

- When the CBE acted on our recommendations to change the current practice of registering Treasury bills by issuance date to registering bills by maturity date, we worked with CBE staff to develop the necessary system changes in the automated book-entry system for Treasury bills. A backup server was also procured and delivered to the CBE.
- We developed an electronic reporting form to be submitted by margin trading brokers to CASE and CMA on their margin activity and net capital. We also developed a database in which these reports can be stored at the two institutions.
- We provided ECMA with hardware and software to support a membership database, training tracking system, and basic office automation.

Making automated systems secure. Extensive security measures are needed to protect systems from breaches of confidentiality and criminal acts that could cause losses for participants. Through the efforts of CMD, firewall systems were procured and installed to protect MCDR's and the CMA's computer networks. We also procured a server upgrade and network management system for MCDR. In combination with an MCDR initiative that increased database storage capacity, CMD efforts have enabled MCDR to double its computer system capacity, ensure adequate back-up capabilities, and provide reliable links to other market institutions.

Helping to grow local knowledge and expertise

Throughout the project, CMD worked hand-in-hand with our institutional partners to improve public awareness and the skills and knowledge of market participants.

Developing a knowledgeable financial press corps. An educated financial press is critical for developing capital markets. Inaccurate or inadequate press coverage can spread misinformation and create panic among investors. Early in the CMD project, the CMA Chairman requested assistance to develop a series of press forums. We partnered with CMA to host 22 press forums, 3 sets of workshops — including one on how to structure and write financial articles — and 2 study tours for 32 journalists. We also provided an Internet clinic to help journalists learn to use search engines and other tools to access the international media. As a result, financial journalists are more confident and have better relationships with decision makers and capital market participants.

Educating industry participants. In addition to numerous manuals for institutional partners, CMD provided two publications related to corporate reporting and the role of auditors:

- *An Investor's Guide on How to Read Financial Statements and Annual Reports* — Over 10,000 copies of this Arabic-language guide have been distributed. The booklet received accolades from the MOFT and has been popular with university classes in Egypt.
- *Introduction to Corporate Finance* — CMD assisted ECMA in developing, publishing, and distributing 4,000 copies of this booklet, which describes how businesses can get financing for their projects through the capital market.

CMD had an extensive overseas and local training component for market participants. In addition to formal and on-the-job training offered by CMD's advisors, training was provided through the USAID-funded DT2 project and the English Language Training and Testing (ELTT) program at the American University (in Cairo's Center for Adult and Continuing Education). At the end of 2003, we had conducted 31,809 person-hours of specialized training, 69,304 person-hours of training through DT2, and 32,400 person-hours of training through ELTT (Annex B).

Topping the charts: Improving financial news reporting

“One of the most important and effective outreach programs has been the training of journalists . . . It has had a profound impact on participants.” - from Management Systems International’s *Capital Markets Assessment Egypt, May-June 2002*

Consistent effort to provide journalists with timely information. CMD efforts to improve financial news reporting were implemented consistently throughout the project. From our initial efforts to help Egypt’s Channel One news improve the look of their daily financial segment and continuing through CMD-sponsored training programs, a study tour to the US, and 22 press forums, we helped Cairo’s financial journalists better understand the legal, regulatory, and operational issues of the capital markets. The press forums, which were held under the sponsorship of the CMA, invited prominent Egyptian guests to speak on a wide range of financial topics of interest to the press. At first, most of the topics were general, covering financial markets, instruments and the roles of financial institutions. As the project progressed, the forums provided timely information on important market advances and activities such as the bond market, the settlement guarantee fund, and the prevention of fraud and financial crime.

Impact on participants. The responses from participants, outside evaluators, and the CMA have all been extremely positive. The following excerpt from a 2002 evaluation of the CMD project, written for USAID by Management Systems International, sums up the impact of the program on participants:

“Without exception, participants said that the forums and workshops had provided them with outstanding opportunities to meet national and international leaders of finance and the economy. Not only were these opportunities for stories for their papers, but equally important, they learned new insights about their craft. They felt that the program gave them more credibility with their readers. In addition, they felt more confident in asking probing questions of corporate and government spokespersons. All gave the study tour high marks for relevance to their own situations. Several said that they learned always to verify their stories and not just accept what they are told in a press release.”

Improved reporting? There is general agreement that financial reporting has improved as a result of these efforts. The CMA chairman believes they receive fewer trivial public complaints as a result of improved quality of financial journalism. To quote again from the MSI 2002 evaluation: “When compared with the level of financial reporting at the beginning of the project, the financial journalism today has experienced significant improvements.”

Getting the word out to investors. Another major CMD focus was to provide educational material for retail investors. We did this through our Investor Education Series of videos and publications. In addition, we assisted our partners with developing websites, and provided targeted forums and outreach to business communities and associations. Throughout most of the project's history, we also produced a one-page daily synopsis of Egypt's financial news — the *Egypt Capital Markets Daily* — and sent this in electronic format to local and international market participants.

The CMD project produced four Investor Education Series brochures to introduce investors to the Egyptian markets and the principles of investing. About 10,000 copies of each of these Arabic-language booklets were distributed through ECMA:

- An Introduction to the Egyptian Capital Market
- Preparing to Invest
- Choosing Investment Instruments
- Managing Your Investments

Two of these brochures were also summarized and printed in local financial columns.

In late 2002, a six-episode Arabic-language video series, “Introduction to the Egyptian Capital Market,” premiered to an audience of investors at the CASE Step-by-Step conference. We publicized the video through public events and mail distribution and CMA Chairman Abdel Hamid Ibrahim introduced the series to journalists at a press forum. This video series was written, directed, and produced by CMD. A companion booklet to the video series entitled *A Guide to the Egyptian Capital Market* was also produced. As with our other investor education series publications, this booklet was sent to ECMA member firms for distribution to their clients, as well as to educational institutions, financial journalists, businessmen's associations, and other government organizations.

In addition, we worked with the CMA to produce a number of fact sheets and brochures written by CMA staff, several of which were distributed at the CASE Step-by-Step conference. These included:

- A fact sheet on the Capital Market Authority
- A brochure on private placements
- A guide to minority shareholders' rights under Egyptian law
- A guide to the issuance of share capital
- CMA annual reports for 1998 through 2002
- The first two issues of the CMA bulletin
- A brochure for investors on margin trading

CMD helped CASE and CMA develop the last brochure as an educational tool for investors. It introduces margin trading, using a clear explanation of risks and illustrative examples. Developed in Arabic and translated into English upon a request from CASE, this brochure was distributed on a limited scale by CMA and CASE. The brochure will be more widely distributed once the detailed margin trading rules, under development by CASE and the CMA with assistance from CMD, are completed.

For MCDR, we assisted with the development and publication of the annual report for 1998 and provided limited technical assistance on the 1999 and 2000 annual reports. We also helped with a "frequently asked questions" (FAQ) publication about book-entry securities that was designed for investors. Following the guidance provided by CMD in developing this publication, MCDR independently developed and published three other publications on the central registry, settlement guarantee fund, and securities pledge services.

In today's marketplace, a complete public awareness program must include an effective website. CMD worked closely with our institutional partners to help them develop usable, sustainable websites:

- MCDR — CMD provided content review during website development (www.mcsd.com.eg)
- CMA — CMD helped develop initial website and the agency logo in 2000. Later, in an effort to increase CMA staff capabilities and improve public outreach, CMD procured new hardware and software that allowed more CMA staff access to the Internet and e-mail. We also provided recommendations and a development plan for a new CMA website that includes a web interface to OASIS that allows public access to selected financial information about public issuers. CMD procured the necessary website content management software to allow the CMA to manage its website and provided a service subcontract with a local vendor. The new website can be accessed in the near future at www.cma.gov.eg.
- ECMA — CMD researched and recommended site content, developed a site design and implementation plan, and helped select a vendor to construct the ECMA website. The new site (www.ecma.org.eg) allows ECMA members access to e-mail and is registered with major Internet search engines. CMD also contracted with the vendor for one-year hosting of the site.

Developing institutional capacity for public relations. As seen in the 1998 snapshots in Section 2, the public relations functions of these institutions were nascent at the beginning of the project. CMD helped strengthen communications functions and press relations at the CMA and MCDR through on-the-job training, workshops, and feedback on publications.

Early in the project we produced a guide on the steps and timeline for producing the MCDR annual report. MCDR quickly assumed responsibility for annual report writing and production, although it continued to receive input and reviews from CMD advisors through the publication of

its 2002 report. As a result of CMD advice, MCDR first published its financial statements in the 2000 annual report, and has continued to publish financial statements in all subsequent reports. In 2000, acting on CMD's 11-step communications strategy, MCDR hired its first Communications Specialist, a major move toward developing sustainable public outreach capabilities. Based on a sample FAQ booklet developed by the CMD, the MCDR developed and produced four pamphlets that introduced the services of the central depository, central registry, pledge facility, and settlement guarantee fund.

The CMA has also made important strides in improving its communications with various audiences, largely as a result of CMD efforts. CMD advisors provided assistance in arranging and preparing for press conferences, writing press releases, and setting up interviews with foreign press representatives from papers such as the Observer and the New York Times. In addition to helping the CMA establish regular forums for journalists, we also helped establish forums for issuers and market intermediaries. CMD organized several television interviews with the CMA Chairman, Abdel Hamid Ibrahim, and helped prepare materials and brief the Chairman prior to his appearance at numerous press conferences, interviews with Egyptian TV, and presentations at national and international forums.

Assistance with CMA publications was provided throughout the project. CMD wrote and produced the CMA's 1998 annual report, but provided less hands-on assistance for each subsequent report in an effort to help CMA gradually assume total responsibility. At our urging, the CMA began to include information about CMA decisions, new issue prospectuses, proposed rules, and current regulations in its annual reports. This was an important step in making the reports more open and transparent. The CMA 2002 annual report was written entirely by CMA staff, with review by CMD advisors. Although production was still undertaken by CMD, we made efforts to involve staff in every step of the process, including how to work with an independent graphic designer for layout and printing oversight. We also provided workshops for the CMA communication team that covered the publications process, including design, color separation, printing, and binding. The workshops included visits to designers and printing houses.

In early 2003, the CMA undertook an initiative to produce an informational bulletin, a major step in increasing transparency of the CMA. Although the CMD was extensively involved in developing the first issue, members of the CMA technical office were given the entire responsibility for the second issue, with CMD oversight, especially for production. The second issue of the bulletin will be released by the CMA in the near future.

Increasing understanding of the markets among legal and judicial professionals. CMD helped train Egyptian judges and prosecutors about the capital market law and how to investigate, prosecute, and adjudicate cases related to securities trading and fraud. During 2002, we sponsored two, three-day workshops for Egyptian judges and prosecutors. The first workshop covered the capital market law, roles and legal responsibilities of market institutions and participants, and included case studies in market manipulation and insider trading. For the second workshop, we were able to engage the former chief appellate lawyer for the US Securities and Exchange Commission. This workshop covered US law and practices and also included case studies.

In 2003, the project sponsored two observational study tours to Toronto that allowed 31 judges and prosecutors to visit a number of institutions involved in securities markets and regulation. The tours were designed to provide an introduction to the institutional, legal, and regulatory framework of a developed capital market system, with emphasis on the practical application of laws to the prosecution and adjudication of securities cases. By the end of the tour, the participants could explain how common violations such as insider trading and price manipulation are detected and prosecuted, discuss the role of judicial independence in the prosecution of capital market cases, and outline the legal services provided by industry associations and their members.

After the overseas study tours, CMD organized and helped prepare additional workshops, including one on the legal and regulatory aspects of a central securities registry and margin trading, one in Alexandria on the legal framework of the capital market, and one on financial crimes and fraud. As a result of the training and study tour, the participating judges and prosecutors have a much clearer understanding of the legal and regulatory framework for the capital markets. This will make it easier for the CMA to present cases before the court and, in the long run, will ensure better decisions are handed down from the courts on cases involving capital market participants.

Encouraging market diversity and flexibility

One of the initial challenges facing the CMD project was to help increase secondary trading for corporate and government fixed-income securities. The project responded with a number of initiatives in this area including the introduction of bond dealers and in-house development of software at the CBE to support trading and ownership transfers of fixed-income securities. At the request of the MOF, we provided extensive assistance with the international issue of Egypt's first sovereign Eurobond. As part of the restructuring effort at the CMA, CMD helped establish a fixed-income securities department.

CMD also worked to encourage market diversity through other types of instruments by providing a legal basis for securitization and promoting increased awareness of new market instruments, including an assessment of the prerequisites for financial derivatives and a workshop on derivatives.

Setting the stage for bond dealers. Dealer-based trading helps increase liquidity in bond markets. During the first year of the project, working in collaboration with the CMA and MOFT, CMD drafted a decree to formally establish dealer-based trading in the markets for corporate bonds and government securities. We discussed provisions of the decree with the Ministry of Economy (MOE) and the CMA, and at our suggestion, the decree was also released to market participants for comment before being finalized. During this comment period, an ECMA working group invited CMD to discuss its provisions on three occasions, after which they presented their comments, many of which were incorporated into the final version of the decree. The final decree was issued by the MOE in January 2000.

Unfortunately, the appendix to the decree included minimum net capital requirements for bond dealers that — despite CMD advice — were set too high for most dealers to meet. We believe that this unusually high capital requirement explains why Egypt has not yet achieved the “critical mass” of dealers needed to constitute a market, especially in the corporate debt arena.

Creating a primary dealer market for government securities. Once we had an established framework for bond dealers, we focused our efforts on Treasury bill and bonds, as this is where debt securities trading is initially focused. Primary dealers are an important component of a healthy government debt market because they underwrite initial offerings of government securities and buy and sell securities in the secondary market. As of 2004, 11 primary dealers are licensed to operate in Egypt's government debt market; CMD helped make this possible.

First, in partnership with the US Treasury's Office of Technical Assistance, we helped identify and resolve a number of legal, regulatory, and tax issues that would affect the development of the primary dealer system. These included clarifying roles and authority with respect to the issuance, market making, and delivery and settlement of government securities. The MOF and CBE reached the following agreement, based in part on CMD's recommendations, at the end of 2000:

- The MOF organizes and heads the primary dealers in their underwriting and market management obligations.
- The CBE and the MOF jointly conduct market-based auctions for bonds and bills.
- The sale of GOE securities to the public by bank primary dealers and CMA-licensed dealers will be regulated by the CBE and CMA, respectively.

In June 2002, the MOF issued a decree and regulations to create a primary dealer system. The CMD played a key role in developing this decree and its regulations, and continued to help provide assistance after their issuance to implement the primary dealer system. This assistance included a 2002 study tour to the US for MOF participants and three workshops in late 2003 that targeted MCDR staff and management, regulators, and 35 bond market participants (as a prerequisite to obtaining their bond dealer license from the CMA). CMD also organized overseas study tours for CMA Chairman Abdel Hamid Ibrahim and MCDR Deputy Chairman Mohamed Abdel Salam in late 2003.

After the decree and regulations for primary dealers were issued, the CBE prepared guidelines for primary dealers. These guidelines state that candidates should be local banks or local branches of foreign banks in good standing or licensed CMA bond dealers. The creation of free, market-based auctions, which accompanied the launch of the primary dealer system for Treasury bills in early 2004, was a major development in the Egyptian capital market and will have positive effects across all fixed-income markets (for both government and corporate securities).

Early on, the CBE and MOF decided to retain the registry for Treasury bills at the CBE. No decision was made about where Treasury bonds would be registered. Finally, in the first half of 2003, the Minister of Finance officially confirmed that government bonds will be dematerialized and trades in Treasury bonds will be cleared and settled through MCDR. This long-awaited decision will help speed the activation of the secondary market in government bonds. It is also an important example of how Egypt's market participants have gained more confidence in their own institutions. Once the MOF and CBE felt assured that the MCDR could handle the clearing of Treasury bonds for a reasonable fee, they were willing to delegate this responsibility. We now anticipate that primary dealers will begin working in the Treasury bond market during 2004

Providing a book-entry system for Treasury bills. When CMD began working with the CBE, Treasury bill certificates were printed after each auction and then distributed to owners. This process was slow and cumbersome, and hindered any potential trading. We proposed implementing a book-entry registry to eliminate risks associated with holding paper certificates, which can be lost, stolen, or destroyed. During the project's first year we began the process of working with the CBE to determine what was needed to develop a book-entry system for Treasury bills. As the result of CMD assistance with design and implementation, the CBE successfully launched this system in June 2002. CMD provided hardware to facilitate the electronic transfer of funds, delivered a full set of documentation, tested the registry, and conducted training. The book-entry registry has successfully dematerialized over 99 percent of Treasury bills. We also developed and helped implement requirements for converting the registration of bills from issuance dates to maturity dates; this allows all bills with the same maturity period to be fungible, regardless of their original maturities and issuance dates, and is a means of further stimulating trading.

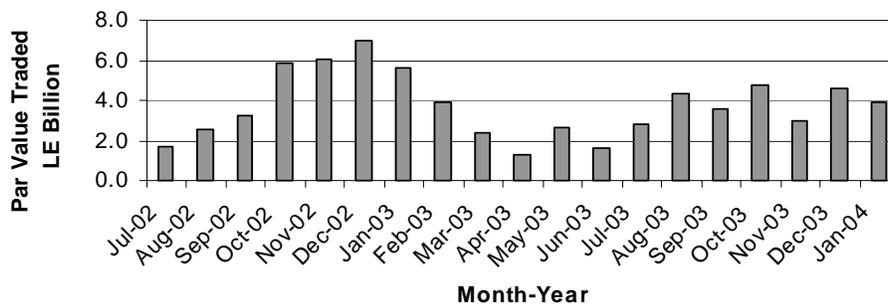
Developing markets for fixed-income securities

At the start of the CMD project, trading in Egypt's capital markets focused on equities. CMD implemented several initiatives to help increase Egypt's markets for fixed-income securities over the course of the project. We are pleased to leave in place an established framework that will encourage and support increased trading in debt securities in Egypt's government and corporate debt markets. A major feature of this framework is an automated book-entry system for Treasury bills, launched in June 2002 with the assistance of CMD.

Book-entry system. The book-entry system represents a major advance in the trading of Treasury bills. Instead of exchanging certificates that had to be delivered by hand to complete the transfer of ownership, banks can now send instructions to the CBE's registry, which then electronically transfers ownership from seller to buyer and funds from buyer to seller. Similarly, Treasury bills can be redeemed at maturity through the direct payment of funds to a bank's account at the CBE. In a significant development for Egyptian securities markets, the procedures for the book-entry system also prohibit any party, including the CBE, to cancel trades in Treasury bills. This was a major policy decision and was the first step toward prohibiting the cancellation of trades in all securities. This CMD-supported policy is another step toward the creation of a stable and orderly marketplace.

Impact. Feedback from local banks, the MOF, and the CBE has been extremely positive, all of which report that the system has greatly simplified the issuance of T-bills, reduced issuance costs, and stimulated trading. As shown in the following charts, the secondary market for Treasury bills realized significant increases immediately after implementation of the system, although the market declined somewhat after this initial surge of activity, due to the devaluation of the Egyptian pound in early 2003 (no trading data is available for the months prior to system implementation in June 2002).

Par Value of Traded Treasury Bills
July 2002 - January 2004



Sovereign bond issue. In July 2001, Egypt successfully launched two tranches of its debut international sovereign bonds. Issued as Eurobonds, the first tranche was worth \$500 million with a five-year maturity and was priced at 275 basis points over US treasuries. The second tranche, worth \$1 billion, had a ten-year maturity and was priced at 335 basis points over US treasuries. The two bonds were oversubscribed, a sign that international investors had confidence in the Egyptian economy and that Egypt's bonds had become a "must" for diversified portfolios.

CMD was instrumental in helping the MOF in this first-time issue of sovereign bonds. In response to a request from the MOF, we began advising on the upcoming Eurobond issue in mid-2000. CMD trained MOF staff in the concepts, principles, and techniques for evaluating underwriting proposals. We also provided training in establishing objective and transparent processes for selecting lead managers and issuer's counsel. An overseas study tour for three MOF participants focused on best practices for sovereign debt management, including asset and liability management and the minimization of government risk. The participants gained a practical appreciation for the need for strategic planning with respect to debt issuance and a stronger working knowledge of the tools available to the MOF to carry out strategies.

Egypt received widespread local and international press coverage for the successful issuance of the international sovereign bond. The *Financial Times* said the "offering was being greeted as evidence that the Egyptian government remains committed to structural adjustment" and that it signaled a "renewed commitment to reform." *Reuters* reported that emerging market investors "flooded Merrill Lynch and Morgan Stanley with offers to buy" the debut bond issue. News of the offering was also carried prominently in all major local papers, as well as in the *Middle East Economic Digest*. The MOF and the CMA both expressed their appreciation to USAID for CMD efforts.

Helping the CMA establish a fixed-income securities department. In 2002, CMD began working with the CMA to help establish a fixed-income securities department to handle non-governmental debt securities issuance. A short-term expatriate advisor provided input about the department's organizational structure, staff qualifications and needs, and processes for debt registration. Based on this work, and with input gained from discussions with representatives of the US and Canadian securities commissions and IOSCO, CMD advisors made recommendations

for appropriate procedures for the issuance of debt securities in Egypt. We also prepared checklists for issuers and translated these into Arabic.

Introducing the securitization of assets and mortgages. Securitization of assets encourages growth in the financial markets because it attracts institutional investors and provides liquidity to lenders. In 2001, the Real Estate Finance Law was passed, and CMD efforts to help the CMA develop the necessary legal, regulatory, and operational framework for the introduction of securitized assets became more prominent. Through a collaborative effort with the CMA, our advisors prepared an action plan and completed the general framework for securitization. We also worked with the MOF and with the CMA, both on its own behalf and on the behalf of the General Authority on Real Estate Finance (GAREFA), to help make the real estate law operational. This involved drafting an amendment to the Capital Market Law that eliminated legal obstacles to securitization resulting from the new mortgage law.¹⁰

On the institutional side, we drafted rules and procedures for the CMA regarding real estate financing and provided a study on the guarantee and subsidy fund, which aims to provide lower-interest financing to low-income government employees. A study prepared by CMA advisors on securitization in other countries included a comparison of securitization legislation with that of the proposed Capital Market Law amendments on securitization, as well as a comparison between mortgage-backed securities and mortgage bonds. In conjunction with the Egyptian Young Bankers Association, CMD sponsored a conference on the mechanics of securitization. Although much remains to be accomplished related to the registration of immovable property, foreclosure on mortgage defaults, and public awareness, CMD's groundwork on securitization will enable work in this area to progress more easily.

Expanding awareness of new financial instruments. The market introduces new financial instruments based on the needs of issuers and investors. CMD helped facilitate this process by increasing market participants' awareness of potential new financial instruments. For example,

¹⁰ This included elimination of the liability of the originator of a mortgage loan and the determination that the transfer of the mortgage meets criteria of a "true sale," thus removing the risk of bankruptcy.

CMD organized two workshops in Alexandria to promote the idea of medium- and long-term finance through bond issuance as an alternative to traditional bank borrowing. In 2003, CMD prepared a paper that CMA Chairman Abdel Hamid Ibrahim used to present the concepts and basic issues related to derivative instruments during a press interview. In early 2004, CMD sponsored a workshop on derivatives, which focused on financial futures and options, to various market participants.

4. Looking back: lessons from implementation

Implementation factors that contributed to overall success

Hindsight: what we might do differently

Handover: the true measure of success



4. Looking back: lessons from implementation

USAID's Capital Markets Development project has had real and substantive impacts on Egypt's developing capital market (see Snapshot of Egypt's Capital Market: 2004). The success of this project stems in no small part from the quality of the project design. USAID provided an excellent project framework, working with all counterparts to design an integrated approach that would achieve results. The project was both timely and responsive to specific local needs and initiatives from institutional partners such as the CMA, CASE, and MCDR.

This attention to local factors during project design set the foundation for a project that was able to achieve all of its major objectives. Chemonics worked within this framework, building on USAID's original approach and remaining responsive to partners' needs and flexible to changing conditions throughout the life of the project. We take pride in noting that our implementation approach contributed in no small way to the success of the CMD project, as stated in an independent review of the project for USAID undertaken by MSI in mid-2002:

The evaluation team finds that professionalism, determination and ingenuity have characterized the contractor's work. The contractor has done an excellent job in designing and executing the project.

On the following pages, we describe some of the features of our approach that worked particularly well. We also discuss what we might do differently, if we had the chance to start over again. Finally, we describe how we managed the handover of project activities and systems to ensure sustainability.

Implementation factors that contributed to overall success

There is no such thing as a perfectly executed project. While CMD is no exception to this rule, we believe that our overall implementation strategy worked exceedingly well. As we began to dissect some of the reasons for this success, eight common themes or factors emerged. Below, we discuss and summarize each of these factors in a “lesson learned” statement, with the hope that they can be applied to future efforts in Egypt and elsewhere.

Lesson Number 1: Well-planned team-building and collaborative efforts early in the project reap long-term benefits.

Chemonics is known for its ability to mobilize projects rapidly. For CMD’s start-up we had a home-office staff member on the ground prior to the official contract signing to negotiate teaming agreements and employment contracts with local subcontractors and Egyptian staff. Immediately after contract signing, long-term expatriate staff was assembled for several days at Chemonics’ headquarters in Washington D.C. to get a thorough grounding in the project design and goals and an orientation to Chemonics’ systems and administrative procedures. That same week, project members arrived in Cairo and a kick-off presentation and meeting was held for expatriate and local advisors, local subcontractors, and USAID. The focus of this meeting was team-building among the expatriate and local staff; specific attention was paid to developing a shared vision for the project.

Team-building continued with the development of the first-year work plan. Our team members met frequently with institutional counterparts beginning in October 1998 to discuss our partners’ needs and priorities, and to determine how CMD assistance could help achieve their developmental objectives. In early November 1998 we held a retreat with USAID and senior officials from CMA, CASE, and MCSD (now the MCDR). The retreat provided us with an excellent opportunity to prioritize project activities for the first year. In a separate meeting later

that month, we made a presentation to the CBE Governor and his staff and discussed their priorities for the upcoming period. We also met on several occasions with the members of the ECMA Board of Directors and several other industry representatives to discuss the progressive transition of the association into a self-regulatory organization and the assistance that the CMD project might provide to private sector capital market participants.

We followed up on this high-level coordination by holding small group meetings with mid-level professionals in each institutional partner organization, discussing specific tasks and expected outcomes. These were developed into proposed tasks and implementation steps for the first year of the project. We circulated these documents among and discussed them with our institutional partners. The final draft of our first year work plan was submitted to USAID and three of the project's institutional partners for approval of their respective activities on in early December. Separate presentations were made to the ECMA and CBE two weeks later.

Within four months after contract signing in 1998, the contractor had 20 professional staff, a work plan developed with Institutional Partners, and programs underway. This intensity and dedication has been sustained until the present. — *Management Systems International, Capital Markets Assessment Egypt, May — June 2002.*

These efforts, though resource-intensive, were invaluable in terms of long-term payoff. Within the first three months of the project we had established a team that was focused on the same goals and had established channels of communication. We had also developed a methodology for future planning and collaborative efforts that was to serve us well throughout the life of the project.

Lesson Number 2: Solid, substantial success early in the project establishes credibility with and gains cooperation from counterparts.

Initially, CMD had two fast-track challenges: to create a settlement guarantee fund and to strengthen market surveillance. Our concentrated efforts to help create Egypt's Settlement Guarantee Fund resulted in its establishment in January 2000, just over a year after we began our initial efforts. The success of this fund was a pivotal point for the project because it established our credibility with counterparts and ensured future cooperation.

Recipe for success: Responsiveness blended with mentoring

From the outset of the CMD project, we knew we needed focused assistance to help the CMA develop the skills and institutional structures it needed. To help us develop a daily working relationship with the CMA Chairman and staff, we obtained permission from the Chairman to “infiltrate” the CMA by opening a small satellite office at the CMA building. This physical presence proved to be invaluable, fostering a strong collaborative relationship and enabling several of our staff to work as integral parts of the CMA.

Responsiveness to requests from the Chairman. Our work with the technical office of the CMA received consistently positive feedback from the CMA Chairman, Abdel Hamid Ibrahim. CMD advisors gained respect by their quick and thorough research in response to requests from the Chairman. This included providing advice on:

- Fraud and financial crimes
- Corporate fiscal policy and corporate finance
- Corporate governance and disclosure
- Financial indicators
- Margin trading
- Real estate financing
- Securitization
- Media relations

Mentoring staff. As we researched various topics, we concurrently trained staff in research methodology and demonstrated how research can provide tangible results. For example, research on fraud and fraudulent crimes, led by a CMD advisor, turned into published rules and regulations, while other research led to an amendment in the proposed banking law.

A CMD advisor also trained an interdepartmental team to compute various indicators such as average profit-to-earnings ratios by sector, earnings per share, profit-to-earnings ratios based on weighted average of trading prices, and average sectorial profit-to-earnings ratios based on the weighted average of capitalization. In addition, this team learned to use thorough research as a means to identify and compute other financial indicators.

Impact. Through CMD efforts, most of the technical office staff members significantly increased their research skills, including their ability to conduct Internet research, report their findings, and use common computer applications such as MSWord and PowerPoint. CMD advisors also instituted weekly staff meetings within the technical office that improved communication and helped divide responsibilities more efficiently.

Lesson Number 3: A responsive, collaborative, and recursive approach achieves the best results and empowers project counterparts.

Our strategy for achieving maximum impact from CMD activities was to cooperate closely with our partners' staff members at all levels and to focus on substantial "real-world" outcomes rather than on reports or specific deliverables. This approach allowed us to leverage our resources with those of our institutional partners, combining talented resources and firsthand knowledge of current issues. It ensured that we were persistent in pursuing our goals, not being satisfied until our efforts achieved the desired results, yet it required that we respect the opinions and decisions of our partners — even when we didn't agree with them. This approach paid off for us, partly because of the receptivity of our institutional partners. As noted in USAID's contractor performance report for April 2002 through March 2003:

Contractor has established outstanding relationships with all entities involved including the CMA, the Ministry of Finance, and the Ministry of Foreign Trade.

The collaborative approach and productive working relationships CMD established with partner institutions paid off in a number of ways. One of the most rewarding results was being asked by our partners to provide assistance on unplanned initiatives and having them incorporate our recommendations into their decision-making process.

We not only kept our door open at all times to our institutional partners, we listened. The excellent channels of communication we established through work planning gave us opportunities to work collaboratively for solutions that fit the Egyptian context rather than replicate solutions developed in the US or other markets. Examples of collaborative solutions customized to fit Egypt's needs include the settlement guarantee and investor protection funds and the margin trading rules. Often iterative drafts were needed to achieve these solutions, which took more time and resources than a cut-and-paste solution. The bottom line, however, is that the final solutions were well-accepted and more likely to succeed. Equally important is that, through this process, partners like MCDR and CMA gained the experience and self-confidence to make decisions and move forward independently.

Lesson Number 4: Keeping your eye on the ball — the achievement of international standards and best practices — ensures quality solutions.

Although we were responsive to their needs, our aim throughout the project was to steer our partners toward a better understanding and application of internationally accepted standards and practices. We have seen much progress among our partner institutions in this respect. At the project outset, most market participants appeared to have only a superficial knowledge of international standards and their relevance to Egypt. We used real-life situations to show how international standards should be used as a guide for making decisions that affect market activities. For example, when the CMA asked CMD for assistance in reviewing a request to establish a market maker for corporate bonds, we determined that the elements of the requested market maker were counter to international standards and practices. Partly as a result of our recommendation, CMA declined to license the bond market maker.

Our partners also gained exposure to international standards and practices through their participation in international conferences and organizations. We sponsored MCDR's participation in the last three international conferences of central securities depositories; MCDR has now taken the lead in forming a regional association for central securities depositories. Likewise, we assisted EIMA with its efforts to gain international recognition for its newly adopted standards of performance for investment funds. We also supported the CMA's participation in international and regional conferences by providing research and public relations support.

Through information gained as a result of study tours, comparative analysis of laws and regulations, and their own attempts to implement best practices, partner institutions such as the CMA and MCDR can now articulate how these standards and practices apply to their own services, mandates, laws, and rules.

Lesson Number 5: A flexible approach and willingness to adapt to local and/or changing conditions is critical to maintain project momentum.

Situations and priorities change, sometimes very rapidly. We cannot overstate the importance of adaptability and flexibility as a means of responding to changes over the course of project implementation. In this respect, we credit USAID for their patience and willingness to consider

alternative approaches when it became obvious that a particular approach was not successful. Throughout the project, various roadblocks threatened to impede our progress. In some cases, we were able to overcome these obstacles, but at other times we had to find a detour that would enable us to achieve our objectives without falling into a quagmire of delays and indecision. Occasionally, we had to rethink whether objectives were achievable under current conditions.

September 11, 2001 changed many things, including our ability to recruit and field short-term advisors. It also made it more difficult for Egyptians to obtain visas for overseas study tour participants. When we failed to obtain US visas for trainee judges, public prosecutors, and CMA and MCDR counsels after nine months of waiting, we gained full support from USAID to change the venue for two planned study tours to Canada, where we could visit equivalent capital market institutions. Both study tours received positive feedback, and the program accomplished its objective of providing participants an opportunity to better understand how legal cases are prosecuted and adjudicated in a developed capital market system.

We also remained flexible enough to admit when to back off an initiative that had little promise of producing results. For example, our efforts to identify issues related to the legal underpinnings for bankruptcy procedures and how these might affect market participants were technically sound, but we were unable to gain support for what we saw as needed legal and regulatory changes to protect market institutions in case of bankruptcy. The reality was that the Commercial Code had been recently amended with new bankruptcy provisions; the idea of revisiting this topic at the moment was not popular. Likewise, we found that our efforts to introduce a new article to the Commercial Code on the negotiability of securities and the rights and obligations of issuers, security holders, and registry were premature in Egypt's current marketplace. In both cases — with USAID and counterpart agreement — we opted to drop these issues from our agenda. Even though these efforts produced no concrete results, we believe that our partners are now well aware of these issues and will address them in due course.

Finally, we maintained a flexible attitude toward technical solutions. Although we were not willing to compromise when it came to international standards, we used lateral thinking and kept an open mind about non-conventional solutions when they proved the best fit. We tried to maintain an attitude of “let's examine all options” rather than “it hasn't been done before.” This proved invaluable for the development of creative solutions to difficult issues. For example, the final

version of Egypt's Investor Protection Fund applies international standards and best practices to a uniquely Egyptian solution. Although our original intent was to cover non-market risks through a combination of insurance instruments and the Investor Protection Fund, through our collaboration with partners we realized that a more expedient solution was to broaden the scope of the fund to include risks usually covered by insurance. Considering the lack of development in Egypt's insurance market, it was simply quicker and less costly to use one solution — a comprehensive investor protection fund — to address all types of non-market risks.

Lesson Number 6: A synergistic approach that marries credible international expertise and local knowledge achieves results.

. Chemonics began this project with the best team it could assemble: world-class subcontractors, high-caliber expatriate and local staff, and experienced short-term experts. Our team members had hands-on industry experience, not just consulting or incidental experience. Throughout the project we worked hard to maintain this high level of specialized expertise. Comments from our partners and USAID indicate that we achieved the quality we desired.

Contractor staff are highly esteemed with counterparts and within USAID Egypt, and their advice is sought after and highly appreciated. — *USAID Contractor Performance Report (4/01/2002 through 3/31/2003)*

In our opinion, however, it was not simply the quality of the personnel we brought to the project that was important, but the way we married international and local expertise in our approach. Our expatriate team leaders created the working framework and brought international expertise into the project team on a day-to-day basis, while our local advisors brought an understanding of the Egyptian context. This mix was flavored with the highly specialized expertise of short-term expatriate and Egyptian advisors. Where the expatriate advisors were typically best equipped to diagnose the situation and offer solutions, the local advisors were the ones who could communicate the problems and solutions most effectively to our partner institutions. The team approach that evolved through this sharing of responsibilities enriched all involved and created the momentum that was needed to achieve results.

Lesson Number 7: Strong project management and home office support are critical to success

Exceptional project leadership and home office support were critical to the success of this project. Both Barry Gray, who served as Chief of Party from early 1999 until January 2002, and François Jude-Pepin, who began as Mr. Gray's deputy and assumed the Chief of Party position after Mr. Gray left, had strong technical and managerial skills. Perhaps more importantly, they were able to build and maintain excellent relationships with counterparts and the financial community, as shown by the following quotes from USAID contractor reports during the course of the project.

Mr. Gray demonstrated high level management and technical skills. He has successfully managed the technical assistance provided to 8 institutional partners via a team of long term foreign and Egyptian experts as well as continuously fielding short termers for specific tasks. Mr. Gray built good relationships with all institutional partners and has gained their confidence.

Mr. Pepin provided excellent oversight and monitoring of the overall activity in addition to his technical expertise in financial sector reform. He demonstrated a high level of management and technical expertise. He has also built outstanding relationships and established networks with the community at large as he gained their highest confidence.

CMD's quick and effective responses to technical requests were a direct result of its knowledgeable and efficient leadership. Mr. Gray responded to a substantial but unplanned request from the MOF by providing extensive advice on Egypt's first sovereign bond issue without compromising project activities in other areas. CMD received a letter of commendation for its role in the Eurobond issue; more importantly, Egypt gained visibility in world markets.

Mr. Pepin's management style was characterized by a deep respect for the project's partners. He encouraged counterparts to examine a variety of possible solutions and to try to improve on, rather than copy, solutions that had been developed in other markets. This ability to look beyond standard approaches gained him the confidence and appreciation of partner institutions and provided an enabling environment for uniquely Egyptian solutions.

Strong technical and administrative support from the Chemonics home office was invaluable to CMD. Throughout the project, the home office and field office worked in tandem to recruit staff, provide administrative and contractual support, and to interface with institutional partners. Daily communication between field and home office staff helped to prevent items from dropping through the cracks. Extensive “shadow work,” such as support from home office training specialists to organize tours and identify proper hosts, was an essential, though often unrecognized, element in assuring the success of study tours and other events.

When major problems arose, the Chief of Party consulted with Ghassan Nakad, our home office project management director, to determine appropriate solutions. Mr. Nakad closely monitored the project from start to finish. By establishing excellent working and personal relationships with high-level counterparts, he ensured direct access and enhanced overall project communication. When needed, he revived flagging vision and inspired new and imaginative solutions to problems. His negotiating skills gained CMD the expertise of Mellon Consulting at rates far below their standard consulting fees.

Lesson Number 8: Persistent efforts and long-term presence yield results.

Over the course of the project, many of the project roadblocks were overcome by sheer persistence and hard work; others began to dissipate due to our extended presence as a market resource. In large part, credit is due to USAID for their decision to extend this project well past its original three-year timeframe. In a difficult operating environment – as most developing markets are – solutions take time to implement. This is especially true when legal and regulatory changes are needed and when progress requires changes in institutional attitudes or behavior.

Our persistence was the result of having an overall implementation plan with tangible goals and accountabilities. This plan kept us focused even when results were not as immediate as we might have liked. One illustration of how this persistence paid off is our work to encourage the SRO status of various market institutions. In this case, the message about the role of SROs in modern markets — which was delivered repeatedly in meetings, workshops, and study tours — finally began to bear fruit. The CMA is now much more supportive of CASE and MCDR becoming SROs, even though some legal changes are still needed before either can operate as a true SRO.

Hindsight:: what we might do differently

CMD was successful, in part, because we attempted to learn from (and correct) our mistakes. This was possible because we maintained an ongoing monitoring system and — with home office assistance — we performed frequent internal self-evaluations. Even so, we recognize several areas where our efforts might have made more impact if we had changed our approach slightly.

Broker certification. CMD proposed the establishment of a broker registration system that included all procedures, institutional arrangements, and other systems necessary to create and maintain an examination program for securities industry professionals. The program was to be implemented by CMA, in partnership with ECMA and/or CASE. Unfortunately, there was no institutional interest in this objective during the early part of the project, or at least no interest in using expatriate expertise in this area.

It is difficult to say what we might have done differently to engender institutional interest in this program. Had ECMA or CASE been willing to push the issue, the CMA may have become more interested in the program. With hindsight, rather than shelving the broker certification initiative, we might have revisited it or repackaged it in more palatable terms. Perhaps we failed to follow our own Lesson Number 8 in this instance; we might have had better success had we been more persistent.

Lesson Number 9: Providing the right information (or training experience) is good, but providing it to the right people — and ensuring its effectiveness through follow-up — is better.

Because the need to educate policy makers is important, projects often send high-level counterparts on overseas study tours, while policy implementers remain at home. Although we recognize that it is not always possible to change this situation, in the future we would try to provide better follow up to enable dissemination of material and knowledge that was obtained during the study tour. If nothing else, we might conduct a “debriefing” session on behalf of the high-level participants to help summarize the impact of the trip made and distribute any materials that might be of use to their staff.

Another training concern of ours is an outgrowth of the split in responsibilities between CMD and DT2. While having DT2 to coordinate and oversee much of the formal training freed us up for other activities, an unfortunate outcome of this split in responsibilities was that we were unable to follow up on many of the training activities. As a result we sometimes were unsure whether we needed to pursue additional activities to make sure that training objectives were met.

Improved outreach to areas outside of Cairo. Although the project did a good job of developing outreach materials and providing forums and workshops for market participants in Cairo, our efforts outside of the capital were fairly limited. It is difficult to say whether other venues were ready for a concerted public awareness campaign, but, at the least, we might have conducted some surveys to gauge overall interest and awareness across the country. This would have helped us pinpoint particular geographic and subject areas that needed emphasis and would have established a benchmark for measuring the success of public outreach and media efforts. This illustrates again the importance of Lesson Number 9, making sure that the right information gets to the right people.

Handover — the true measure of success

The CMD project was successful in accomplishing the objectives laid out in its yearly work plans and in addressing the original goals of the project. Our true measure of success, however, lies in the sustainability of our efforts. Throughout the project we have worked closely with our partners to help instill best practices and to provide them with procedures manuals, systems, and the confidence to use these tools and move forward with new decisions. As we leave the project, we feel confident that our partner institutions can carry on the activities initiated or supported through CMD.

MCDR — a remarkable success story in sustainability. One of our institutional partners, the MCDR, has “graduated” with honors. Through a combination of organizational drive and hard work, the MCDR successfully implemented and documented organizational structures, policies, and procedures that support and enhance its functionality and has made substantial progress toward SRO status.

MCDR is an excellent example of one of our strategies for ensuring sustainability — the documentation of internal and external policies, systems, and processes. Throughout the project we worked closely with this partner to document institutional processes and systems such as participatory standards, internal audit controls, and pricing policies. The MCDR now uses its documentation to train new employees. Such documentation also ensures transparency and predictability of operations and sets the standards against which auditors evaluate the performance of the organization.

Ensuring continued progress at the CMA. We are particularly pleased with the achievements of the CMA, which made significant progress over the course of the project. Our work with the CMA often took intense assistance, both because of its initial lack of institutional capacity and the need to change some of the ideas and attitudes that hindered implementation of best practices. In many ways, our presence functioned as a catalyst, slowly effecting change. As the project progressed, we placed more emphasis on our role as a resource rather than an assistance provider.

Much has been accomplished; much remains to be done. This is normal; we view it as an opportunity for the CMA employees to sharpen the skills they have acquired. To help maintain momentum, our staff at the CMA gave “assignments” to their counterparts as their work drew to a close. According to these assignments, technical office staff members are tasked with:

- Finalizing the CMA code of ethics
- Completing various reports on SEC positions and rules that will help inform CMA proposals and activities
- Assessing disclosure requirements for consolidated and stand-alone financial statements

We are confident the CMA technical office can handle these challenges.

OASIS is a major improvement for the CMA, allowing it to better manage documents and provide financial information to the public. The CMA will likely need some outside information technology support to enable them to complete the final implementation phase of OASIS and

enable companies to file their disclosure information electronically. This support will come from an outside vendor or another donor project.

To help them continue with the process of restructuring, we have provided the CMA with a restructuring plan, as well as with training and guidance in strategic planning that will allow them to assume new responsibilities as dictated by the evolving marketplace. The new functional departments have documentation to help guide their activities and expanded Internet research capabilities as a result of the hardware and software provided by the project.

Functional systems at the CBE. The book-entry system for Treasury bills is fully functional and personnel have been trained in its operation and maintenance. The system has been operational for well over a year, enabling us to monitor it and make needed adjustments. We are confident the CBE staff can continue to support this system.

5. Looking ahead: challenges for the future



5. Looking ahead: challenges for the future

Egypt's capital market has come a long way in five years. MCDR's clearing, settlement, depository and registry functions are now supported by laws and regulations and secure hardware and software, backed by a settlement guarantee fund, and recognized by JPMorgan as operating in the "best practice" range. CASE's automated trading system can handle 18 times the volume of the 1998 system and operates according to international principles. Both the stock exchange and MCDR now have internal audit controls in place. CASE's online surveillance efforts are being used by the CMA rather than duplicated, and the CMA is more proficient at pursuing and completing investigations and prosecutions. The CMA has a new functional structure, a more comprehensive set of regulations to enforce, and a better understanding and acceptance of international standards and best practices for capital markets. The CBE, MOF, and CMA have well-defined responsibilities regarding government debt securities, Egypt has a successful debut issue of sovereign Eurobonds, and an automated system for registering Treasury bills is in place. The new minimum net capital requirements that will accompany the implementation of margin trading will ensure that many of ECMA's broker members will become financially stronger and more resilient. The list goes on, but the bottom line is Egypt is much better positioned to become a leading regional market than it was in 1998.

Need for testing of new systems in a more active market. It is unfortunate that CMD's efforts coincided with a major downturn in world markets and that the last year, when markets elsewhere have begun to pick up, that Egypt is suffering from the devaluation of the pound. Because of these factors, Egypt's markets have not expanded as rapidly as was anticipated at during project design. As a result, Egypt's improved market infrastructure has not been subjected to greatly increased trade volumes. Eventually, however, market activity will pick up again and the new market systems and legal underpinnings will be tested by a more vibrant and volatile market. When this occurs, it will be critical to monitor the performance of these systems and respond, as necessary, with additional fine-tuning and adjustments.

Building on successes to meet future challenges. The CMD project helped create momentum among market institutions. While progress would have been made even without the project, our presence served as a catalyst and enabled more focused and rapid results. The continued work to develop Egypt's capital should build on the successes and work of CMD in the following areas:

- **Amend the Capital Market Law to give the CMA more enforcement and surveillance authority.** Although the CMA has vastly improved its capabilities for enforcement, it still lacks a legal basis for immediate sanctions in cases of non-compliance.
- **Enshrine corporate governance principles** in appropriate law and improve non-financial corporate disclosure.
- **Enhance the framework for securitization.** This work will include new executive regulations for the Capital Market Law, standardized mortgage financing documents, and establishment of a clear, efficient process for title registration and transfer of immovable property.
- **Develop a legal and regulatory framework that allows the use of same-day trading and short-selling, and the introduction of appropriate new instruments.** These instruments may range from preferred shares to financial derivatives and the money market.

- **Work with the MOF to develop the government bond market, then concentrate on development of the corporate bond market.** The groundwork for a vibrant government bond market has been established by the CMD, but so far a primary dealer system has only been implemented for Treasury bills, not Treasury bonds. The government bond market needs further development, which will pave the way for the growth of the corporate bond market.
- **Amend bankruptcy law to protect investor assets and risk-containment mechanisms.** Our work pointed out the need for more protection of investors and market institutions in case of bankruptcy. This will require amending the existing bankruptcy law to harmonize it with the Capital Market Law and international standards.
- **Provide further training for judges and legal experts** (judges, prosecutors, and legal departments at market institutions). Our work with judges and prosecutors was an excellent first step toward increasing the awareness of legal professionals with respect to capital market issues. We believe, however, that more remains to be done in this area. One of the first starting places should be to work with the legal departments of the various market participants and to help them build a strong group of legal professionals who are experts in the field of market operations and issues.
- **Enhance the framework for SRO development** by assisting the CMA with legal and regulatory changes, exploring the privatization of CASE, and instituting courses and an examination system for qualifying licensed brokers. CMD helped establish important capabilities for would-be SROs such as MCDR and CASE. Existing law does not support full SROs, however, and legal and regulatory changes are needed to help the CMA enable and utilize SROs in the capital markets.
- **Organize the over-the-counter market.** ECMA or CASE should be encouraged to take responsibility for the organization and development of this and other important markets, such as the development of mutual funds.

Annex A: Summary of Deliverables

ANNEX A: SUMMARY OF DELIVERABLES

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Executive Summary

This appendix summarizes the 164 reports produced by CMD from its inception in 1998 through 28 February 2004, when the project ended. Each entry includes the title of the report, author, and date of publication, as well as a short summary of the report.

CMD was an implementation project, rather than one mainly involved with research or consulting. As such, almost all of the reports summarized in this document are aspects of our efforts to help our partner institutions realize specific real-world achievements. For example, CMD's report, *Elements of an Investor Protection Fund in Egypt*, was designed to generate discussion of the basic structure of such a fund, and based on these discussions, a decree for its creation was drafted. Promulgation of the decree, of course, is the ultimate goal of this task.

1998 Reports

Training Recommendations for the First Year Work Plan – DEC ID: PD-ABR-490

November 1998

English

CMD short-term advisor Michael Gorham

Institutional Partner: CMA

The CMD project engaged Michael Gorham, who represents CMD subcontractor Center for Law and Financial Markets at the Illinois Institute of Technology, to recommend training strategies for the project's First Year Work Plan. Gorham conducted interviews with senior officials at CMA, CASE, MCSD, ECMA, and CBE. Based on his interviews and research, Gorham makes several recommendations, including broker training for CASE, training materials for ECMA, and courses in corporate finance and financial English for most of CMD's institutional partners. As many of the IPs have similar training needs, Gorham encourages CMD to facilitate coordination among them. However, he also notes that measures must be taken to protect the individual interests of each IP.

Media Recommendations for the First Year Work Plan – DEC ID: PD-ABR-489

November 1998

English

CMD short-term advisor William Moore

Institutional Partner: CMA

CMD sees public education and awareness as a critical element of market development in Egypt. William Moore, who represents CMD subcontractor Edelman Communications Inc., prepared this report following meetings and interaction with financial market professionals, regulators, and journalists between October 20 and November 5, 1998. The report develops an integrated communications strategy for the CMD project. Moore begins with an overview of the current state of Egyptian public awareness about financial markets. He then offers recommendations for seminars and workshops, training materials, media campaigns, and other activities aimed at enhancing financial information. These recommendations were incorporated into CMD's First Year Work Plan and have continued to serve as a guide for the project's communications efforts.

Self Regulation, Market Surveillance, and Codes of Conduct – DEC ID: PN-ACF-393

December 1998

English and Arabic

CMD short-term advisor Frank Wilson

Institutional Partner: CMA

In this report, Frank Wilson discusses and proposes implementation plans in three areas: self regulation, market surveillance, and codes of conduct and ethics. Section One describes the rationale behind self regulation and common functions of self-regulatory organizations in the securities industry. Section Two provides an action plan for

improving Egypt's market surveillance system, one of the CMA's key objectives. Many of Wilson's recommendations were incorporated into CMD's First Year Work Plan.

An Integrated Communications Strategy – DEC ID: PN-ACF-509

December 1998

English

CMD short-term advisor Matthew Roberts

Institutional Partner: CMA

In this report, Matthew Roberts, who represents CMD subcontractor Hill & Knowlton, outlines an integrated communications strategy designed to promote increased investment in the Egyptian capital market. The strategy calls for (1) improving the information and public affairs capabilities of CMD's institutional partners and the Egyptian media; (2) improving the interaction and flow of information between the IPs, media, and public; and (3) utilizing public relations techniques to raise interest, awareness, and willingness to participate in Egypt's capital markets. Roberts recommends several specific tasks to be undertaken by CMD as part of the communications strategy. He also calls for the establishment of benchmarks to measure the success of the project and its institutional partners in educating investors and the general public about (1) the value of economic reforms and new market opportunities, (2) the increasing stability of Egypt's capital markets, and (3) new avenues for investment in and information about Egypt's capital markets.

Developing a Book-Entry System in Egypt – DEC ID: PN-ACF-392

December 1998

English and Arabic

CMD short-term advisor H. John Costalos

Institutional Partner: CBE

H. John Costalos, former U.S. Treasury book-entry expert, prepared this report following meetings with the CBE, MCSD, and the European Union's Project Management Unit (EU-PMU) between November 10 and 20, 1998. The report contains a preliminary implementation plan and list of prerequisites for developing a book-entry system for the Government of Egypt's debt securities. The preliminary implementation plan has four stages: fact-gathering and analysis; development of system requirements; project definition, culminating in a fully-developed implementation plan; and implementation tasks. Development of system requirements (stage 2, above) requires several prerequisites, which Costalos enumerates in his report. At the end of the report, Costalos offers some observations based on his meetings with the EU-PMU, CBE, and MCSD. These include his observation that although CBE officials have a high degree of interest in developing an automated book-entry system, no projects to implement such a system are currently being undertaken or planned by other donors. CMD incorporated many of Costalos' recommendations into its First Year Work Plan. CMD and the CBE subsequently built a book-entry registry for Treasury bills. It will be launched in 2002.

Establishing a Settlement Guarantee Fund in Egypt - DEC ID: PN-ACF-391

December 1998

English and Arabic

CMD short-term advisor Charles Rubin,

Institutional Partner: MCSD

CMD was informed by the CMA, CASE, and MCSD that implementing a settlement guarantee fund (SGF) had the utmost priority. This opinion was shared by the brokers, bookkeepers, and custodian banks with whom the project held workshops. Charles Rubin prepared this report in order to start the process of establishing an SGF in Egypt. The report (1) defines the nature of such a fund; (2)

lays out the relevant issues to be decided, the operational guidelines to be established, and suggested approaches to be implemented; and (3) outlines the essential elements of the SGF rule that is to be adopted. The report is a discussion document, laying out CMD's suggestions and recommendations. Feedback from CMD's institutional partners is essential before finalizing the structure and legal framework of the SGF. Using these recommendations as a base, the SGF was created and launched by MCSD in January 2000.

Projects to Facilitate the Introduction of Local Credit Ratings – DEC ID: PN- ACF-394

December 1998

English

CMD subcontractor Standard & Poor's

Institutional Partner: CMA

CMD subcontractor Standard & Poor's prepared this report outlining four projects designed to assist Egypt with the introduction of independent credit ratings. The four projects proposed are (1) a survey of regulations pertaining to credit ratings and rating agencies, (2) a feasibility study for establishing a local credit-rating agency, (3) market education and training on credit-risk analysis, and (4) benchmarking an Egyptian national rating scale. The survey of regulations will provide a comparative basis upon which to formulate policies and guidelines for the Egyptian credit rating program. The feasibility study will determine local demand for rating services, and provide regulators with insight into establishing licensing procedures for local rating agencies and developing regulations pertaining to the use of credit ratings. Training will provide necessary knowledge about the purpose of credit ratings and the methodologies and procedures that underlie them. Finally, the benchmarking study will help to overcome some of the potentially disruptive impacts of introducing independent credit ratings into the Egyptian market by providing a context for the new ratings and establishing benchmarks to help guide local rating agencies. The first three projects were incorporated into the CMD project's First Year Work Plan and the fourth was included in the Year 2000 Work Plan. Between 1999 and early 2000, Standard and Poor's completed all four of these tasks.

1999 Reports

Surveillance Presentation - Video
1999

Introduction to WWW Technologies - Video
1999

Proposed Television and Internet Activities – DEC ID: PN-ACF-395
January 1999
English
CMD short-term advisor William Moore
Institutional Partner: CMA

Reaching out to new audiences in Egypt with information on capital markets is a major objective of CMD. The print media is currently the primary source of financial news in Egypt, CMD aimed to increase the amount of financial news available via television and the Internet. William Moore, who represents CMD subcontractor Edelman Communications, prepared this report in order to help the project refine its plans for television and Internet support. Moore assesses the television facilities currently available in Egypt and proposes alternatives for developing regularly-scheduled television programming on capital markets issues. He also identifies alternatives for collecting and presenting information and disseminating it through the World Wide Web. Moore outlines a project-wide television programming and website strategy that calls for collaboration between CMD's institutional partners. Based in part on these recommendations, CMD helped Egyptian television improve the financial news segment on the evening news (Channel 1) and to launch a daily stock market closing report.

CMD Daily News Summaries
1998 – Ongoing
English
CMD project staff
All Institutional Partners

These are one page daily summaries of the Egyptian news. The summaries cover mostly news stories published in Arabic from 18 sources including: Al Ahram, Al Akhbar, Al Gomhouriya, Al Alam Al Youm, Al Wafd, Al Ahrar. There have been 616 summaries to date that have been distributed via email to over 75 recipients and via the internet on the U.S. - Egypt Presidents' Council website (<http://www.us-egypt.org/cmd.html>).

CMD Quarterly Progress Report: Fourth Quarter 1998
January 1999
English
CMD project staff
All Institutional Partners

Code of Conduct Recommendations for ECMA – DEC ID: PN-ACF-396

February 1999

English and Arabic

CMD project staff

Institutional Partner: ECMA

The ECMA Board of Directors adopted a Code of Ethics and Rules for Professional Conduct in June 1996, soon after ECMA's formation. In November 1998, ECMA's directors requested a review of the code and rules in order to ensure that ECMA's standards were consistent with international standards and appropriate as a foundation for specific rules in the future. This report recommends to the ECMA Board of Directors that the seven principles of the International Organization of Securities Commissions (IOSCO) be accepted as the standards for an ECMA code of conduct. This recommendation is based on a detailed analysis of standards and rules from various sources, including the New York Stock Exchange, National Futures Association, National Association of Securities Dealers, Emerging Markets Traders Association, Bond Market Association, and Federation Internationale des Bourses de Valeurs. The results of that analysis were tested against the standards of Ministerial Decree 39 of 1998, which adds to the executive regulations of the Capital Market Law (Law 95 of 1992). All of the standards stated in Decree 39 can be matched to one or more of the seven IOSCO principles. The full text of the IOSCO principles and of ECMA's current code and rules can be found in the appendices. CMD subsequently helped ECMA develop a modified code of conduct for its members.

A Comparison Between Egyptian and International Accounting Standards – DEC ID: PN-ACF-397 (Hardcopy)

DEC and Library hardcopies, dated May 1999. This e-version report contains only the cover and table of contents. Body of report is missing.

March 1999 (E-copy)

English and Arabic

CMD Senior Financial Advisor Ahmed Hussein

Institutional Partner: CMA

One of CMD's tasks is to assist the CMA to enhance transparency and the presentation and disclosure of financial and non-financial information of publicly traded companies, as well as to improve the CMA's capacity to enforce compliance in this area. This report, in which Senior Financial Advisor Ahmed Hussein compares the Egyptian Accounting Standards (EASs) issued to date with International Accounting Standards (IASs) and lists those accounting issues not provided for in the Egyptian standards, represents the initial part of CMD's efforts to enhance compliance with EASs. The report concludes that, with the exception of the Egyptian standard for accounting for finance lease contracts, the EASs issued to date are similar to the corresponding IASs. However, there are a number of relevant accounting issues covered under the IASs that are not addressed in the EASs. As such, the report identifies several areas in which new Egyptian standards should be drafted. Also, while the disclosure requirements of the EASs are generally similar to those of the IASs, the presentation requirements for financial statements differ among the

two standards. Finally, the report reviews the International Accounting Standards Committee's procedures for developing and modifying standards as a possible model for the implementation of similar procedures in Egypt.

Survey of Regulations Pertaining to Credit Rating and Rating Agencies

April 1999

English

CMD subcontractor Standard & Poor's

Institutional Partner: CMA

This report, by CMD subcontractor Standard & Poor's, corresponds to the first project proposed in S&P's previous report, *Projects to Facilitate the Introduction of Local Credit Ratings*. In this latest report, S&P surveys regulations pertaining to credit ratings and rating agencies in 22 mature and emerging financial markets. The report focuses on three specific topics: the accreditation and supervision of credit rating agencies; regulations governing the use of ratings by issuers and investors; and the impact of the regulatory environment on the development of a ratings industry and the financial markets. The report notes differences in the regulatory environments of mature and emerging markets, and also highlights some of the potential pitfalls that regulators in emerging markets can face when attempting to develop a credit rating agency industry. However, the merit of the report is a factual review of the regulatory practices of the countries included in the survey. It is not intended to serve as a recommendation to the Egyptian Government to implement any particular regulatory structure.

Seminar on the Information and Public Relations Roles of Capital Market Institutions

April 1999

On March 21-22, 1999 the Capital Markets Development (CMD) project conducted a seminar on "The Information and Public Relations Roles of Capital Markets Institutions" (CMA 4.1.2). The seminar served the purposes of exposing staff at partner institutions to a number of public outreach functions, providing workshops to allow for implementation on new activities, and bringing together professionals at different institutions focused on public outreach. Over twenty professional staff attended from the Capital Market Authority (CMA), the Ministry of Economy (MOE), Cairo and Alexandria Stock Exchanges (CASE), Misr for Clearing, Settlement, and Depository (MCSD), the Central Bank of Egypt (CBE), Egyptian Capital Market Association (ECMA), and Egyptian Investment Management Association (EIMA).

A Primer on New Financial Instruments – DEC ID: PN-ACF-399

April 1999

English and Arabic

CMD staff member Wageeh Nabarawy

Institutional Partner: CMA

In international financial markets, fixed-income securities comprise approximately 70 percent of total trading. However, fixed-income instruments currently constitute minimal

trading activities and low issuance volume in the Egyptian market. This report presents new fixed-income financial instruments that, if introduced, would broaden the range of financial products available in the Egyptian market and provide new options for corporations to obtain financing for working capital and investment purposes. The report examines four fixed-income instruments – preferred stocks, convertible bonds, zero-coupon bonds, and bonds with warrants – to determine what is appropriate for the Egyptian market.

An Update of the CMD Project's Market Surveillance Activities - DEC ID: PD-ABW-789

April 1999

English and Arabic

CMD project staff

Institutional Partner: CMA

CMD's First Year Work Plan outlined the project's proposed surveillance activities for 1999. However, several developments during the first quarter of 1999 forced the project to rethink its approach and this report provides an update on the project's surveillance activities during 1999. As discussed in the report, the project conducted 4 training sessions at CASE and 12 at the CMA during the first quarter of 1999. These training sessions continued throughout the year, along with assistance in other areas such as procurement of automation technology, policy-related matters, and legal and regulatory issues. Following the report, CMD engaged a short-term advisor to make comprehensive recommendations on surveillance in 2000 and produced a surveillance procedures manual and reference manual. A major study tour conducted in early 2002.

Government Securities Book-Entry System: Fact-Gathering and Evaluation Report –

DEC ID: PN-ACF-398

April 1999

English and Arabic

CMD short-term advisor H. John Costalos

Institutional Partner: CBE

This report summarizes the fact-gathering that was conducted to gain familiarity with the current environment for government debt securities in Egypt. The report also presents evaluations of several items that needed to be resolved prior to developing the requirements document. In order to gain a proper perspective, it was important to gather information from the variety of organizations that participate in different aspects of the government securities market. The information was obtained through interviews that were held with the CBE, banks, brokers, and others involved in that market. They would become the users of the new book-entry system and the ones the system must serve. The report was used as a basis for the development of a system requirements report (see *Government Securities Book-Entry System: System Requirements Report*).

CMD Quarterly Progress Report: First Quarter 1999

April 1999

English

CMD project staff

All Institutional Partners

CMA 1998 Annual Report –CMA website.

May 1999

English and Arabic

CMD project staff Institutional Partner: CMA

CMD assisted the CMA with production of its 1998 annual report. The report describes a variety of achievements in the Egyptian capital markets during 1998, including new regulations, technological improvements at CASE and MCSD, and a dramatic increase in trading volume. The report also discusses the CMA's efforts to increase ties with foreign counterparts and international organizations such as the IOSCO. Finally, the report contains three pages of charts and graphs that demonstrate the dramatic increase in market activity during 1998 and throughout the 1990s. This was the CMA's first annual report in two years.

A Proposal for Developing a Market Surveillance Program – DEC ID: PN-ACH- 520

June 1999

English and Arabic

CMD project staff

Institutional Partner: CMA

Since it is impossible for surveillance analysts to manually examine every trade as it occurs, most developed securities exchanges utilize software programs to identify those transactions that warrant investigation. This report outlines the steps that the CMA should undertake to develop a market surveillance program. The first step was the creation of a historical database and related software program to identify exceptional trading activities requiring further investigation by surveillance analysts. Next, procedures were required to investigate exceptional trading activities in order to determine those that might indicate fraudulent behavior. The last step was the generation of reports that could be used to assess the performance of surveillance analysts and evaluate the overall effectiveness of the surveillance function, as well as to serve as evidence for use in the prosecution of illegal acts. In addition to describing each of these steps in detail, the report includes a proposed timeline and list of required resources for implementation of the proposal. The CMA and CMD developed a surveillance program based, in part, on these specifications.

A Proposal for Developing a Market Surveillance Program Presentation - Video

June 1999

MCSD Organizational Structure, Functional Statements, and Job Descriptions-
June 1999

English and Arabic

CMD short-term advisor David Hornby

Institutional Partner: MCSD

This report, which was prepared by David Hornby in collaboration with CMD subcontractor Zarrouk & Khaled, is designed to assist MCSD in developing its organizational structure so that it can provide professional, timely, and safe delivery of its services. The report resulted from a fact-finding mission during which a team of CMD and MCSD employees conducted interviews with all MCSD personnel in a supervisory or higher position, as well as with members of other market institutions. The results of these interviews were incorporated into the organizational charts, functional statements, and job descriptions that comprise this report. In addition to assisting with the development of MCSD's organizational structure, the report is also designed to lay the groundwork for other tasks relating to the institutional development of MCSD. Such tasks include developing a process model of the MCSD, enhancing the internal audit function, establishing a User Advisory Group, and training MCSD staff. The new organizational structure was subsequently approved by the MCSD Board of Directors and implemented.

Government Securities Book-Entry System: System Requirements Report – DEC ID: PN-ACF-400

June 1999

English and Arabic, CMD short-term advisor H. John Costalos

Institutional Partner: CBE

This third report, by H. John Costalos, corresponds to the second stage of the implementation plan contained in his earlier report, *Developing a Book-Entry System in Egypt*. In this latest report, Costalos defines what functions should be included in the proposed book-entry system for the government securities in Egypt. Prior to preparing this report, Costalos met with various participants in the government securities market – the CBE, CASE, MCSD, banks, brokers, and others. Using the information gathered from these meetings, Costalos analyzed and evaluated the specific needs of the Egyptian financial market. Among the items analyzed in the report is the numbering system that the book-entry system will use to identify securities. In addition, the report evaluates the topic of delivery-versus-payment and its relation to the book-entry system. The report notes that, due to rapidly changing conditions in Egypt, adjustments in the book-entry system may be required. However, the system requirements presented in the report were judged to best satisfy the needs of Egypt. This report served as the basis for the development of a detailed design for the book-entry registry for Treasury bills. The registry is scheduled for launch in March 2002.

Settlement Guarantee Fund Presentation to the Capital Markets Authority - Video
July 1999

MCSD 1998 Annual Report – DEC: No copy, Library: No copy, catalogued with abstract only.

July 1999

English and Arabic

CMD project staff

Institutional Partner: MCSD

CMD assisted MCSD with production of its 1998 annual report. The report describes the development and implementation of new systems to improve market security and efficiency and new initiatives like the establishment of the SGF. It also summarizes the clearing and settlement process and the difference between record-entry settlement and physical settlement. In addition, the report discusses MCSD's financial performance in 1998, when income declined due to the depository's new competitive pricing policy. Finally, the report contains for the first time, assorted financial statements and a list of MCSD's shareholders and participants.

CMD Quarterly Progress Report: Second Quarter 1999

July 1999

English

CMD project staff

All Institutional Partners

Recommendations for Information Display Devices

August 1999

English

CMD short-term advisor Fred Brink

Institutional Partner: CASE

CASE requested CMD's assistance with the design and implementation of market data display devices that will transform CASE into a more visible entity. In this report, Fred Brink evaluates the research done by CASE into potential media display technology. The report examines display systems for external communication to the public, as well as for internal communication on the trading floor. Brink offers advice regarding the appropriateness of media display technology for meeting CASE's needs and goals, both now and in the future. He also provides an approach for further developing CASE's public outreach through media, exhibits, and public information programs.

Training in Capital Markets: Current Practices, Recommended Products, and Possible Directions for CASE - DEC ID: PN-ACQ-583

August 1999

English

CMD short-term advisor Michael Gorham

Institutional Partner: CASE

Michael Gorham prepared this report to educate CASE about capital market training practices at U.S. financial institutions and about currently available training products. He observes that U.S. exchanges provide little capital markets training to their staffs, while other financial institutions do considerably more. He also notes that computer-based training (CBT) has become an increasingly popular training option. The report describes the CBT products that are most respected and utilized by U.S. financial institutions, and recommends that CASE purchase some of them for use by employees with reasonable English-language skills. The report also suggests that CASE consider participating in the creation of similar products in Arabic with local content. Finally, the report presents two ideas for CASE's consideration. First, that any effective training plan must be closely tied to CASE's business plan. Second, that CASE consider becoming a knowledge-based or learning-based organization.

Report on Training-of-Trainers Workshop for ECMA

August 1999

English

CMD short-term advisor Michael Gorham

Institutional Partner: ECMA

This report provides a description of the training-of-trainers workshop delivered by Michael Gorham with the assistance of CMD long-term advisor Amr Tabbakh. The workshop, which was held at ECMA's request, was conducted over four nights and focused on the training needs of capital market institutions. Each of the four modules (one per night) is described in the report. The report also contains a summary of the participants' evaluations of the training, as well as Gorham's recommendations for improving future training workshops.

CMA Public Company Disclosure Regulations

September 1999

English, CMD short-term advisor James Reum

Institutional Partner: CMA

This report assesses the need and extent of possible CMA regulation in the proxy area. It contains (1) an outline summarizing certain existing provisions of Egyptian law relating to the conduct of shareholder general meetings, and (2) the scope of proxy regulation coverage in U.S. SEC Regulation 14A and Schedule 14A (as well as a preliminary indication as to which items might potentially be adopted by the CMA in some form). Also included is a "Schedule [PR]" containing proposed required information for Egyptian public company proxy statements.

CMA Public Company Non-Financial Statement Disclosure Recommendations

September 1999

English

CMD short-term advisor James Reum

Institutional Partner: CMA

This report consists of an outline and draft initial regulations relating to a proposed approach for revising and expanding the CMA's current public company non-financial statement disclosure requirements. The report strongly recommends the IOSCO international disclosure standards as the best model and framework from which to develop the revised CMA non-financial statement disclosure standards.

CMD 1999-2001 Training Plan – DEC: No copy, Library: No copy, catalogued with abstract only.

September 1999

English

DT2

All Institutional Partners

This training plan was developed by the USAID-funded Development Training II (DT2) project, with extensive input from CMD and its institutional partners.

A Communications Strategy for MCSD

September 1999

English

CMD short-term advisor Jessica Berk

Institutional Partner: MCSD

Due to the complexity of its purpose and function, MCSD has often been misunderstood by the Egyptian public. In this report, Jessica Berk, who represents CMD subcontractor Hill & Knowlton, outlines an 11-step communications strategy designed to inform the Egyptian public about MCSD's policies and actions, thereby generating positive press for the central depository rather than criticism. Additionally, the strategy is designed to educate users and potential users of MCSD's services about the benefits that an independent settlement institution brings to the capital market. There are three components to the strategy. First, the report discusses a number of in-house items that, if MCSD makes them a priority, will facilitate all aspects of the broader communications strategy. Second, the report outlines a program for communication with MCSD's internal audience, including the Board of Directors and the issuers. Lastly, the report describes a program for effective communication with external audiences, especially the press. Most of the reports recommendations, have been or are being implemented by MCSD, including hiring a full-time communications specialist and creating a dedicated communications team.

Unit Investment Trusts – Background Paper

October 1999

English and Arabic

CMD short-term advisor Fred Mostoller

Institutional Partner: CMA

The CMA asked CMD for background information and analysis on unit investment trusts (UITs) and the role they might play in helping to stimulate the domestic market for fixed-

income securities. In this report, Fred Mostoller provides an informative introduction to UITs, explaining what they are, how they work, and the advantages and disadvantages of owning them. He also offers an analysis of the four factors that influence UITs and their position in the marketplace: supply and demand, government intervention, market micro-structure reforms, and the legal and regulatory framework. His analysis of the Egyptian bond market in light of these factors leads him to the conclusion that although there are adequate forces of supply and demand for UITs to make them a success in Egypt, any potential development of a UIT market is hindered by the underdevelopment of the bond market in general. He observes, however, that there are actions the CMA can take to stimulate development of the bond market, thereby making UITs a more viable investment option.

Independent Credit Ratings: Needs and Demands of the Egyptian Market

October 1999

English

CMD subcontractor Standard & Poor's

Institutional Partner: CMA

This report, by CMD subcontractor Standard & Poor's, describes the results of a survey of Egypt's financial markets participants conducted by S&P with a view to assessing the needs and demands for credit rating services in Egypt. The report is based on three weeks of interviews with major constituents of the financial markets, including issuers, investors, financial intermediaries, accounting firms, government officials, regulators, and others. It begins with some background information on the role of credit ratings in the financial markets, followed by a review of the conditions needed for national financial markets to sustain an independent credit rating industry. The report then contrasts these conditions to those prevailing in the Egyptian capital markets, with regard to their ability to support independent credit rating agencies. Next, the report examines the current status of credit ratings in Egypt and impediments to their broader usage. The report concludes with a set of recommendations to help institutionalize the use of credit ratings in the Egyptian capital markets.

Draft Central Depository and Registry Law: Draft Executive Regulations – DEC ID:

PN-ACQ-585

October 1999

English

Capital markets | Securities | Laws and legislation | Regulations | Management operations

A Proposal for Registering Securities Sales Representatives - DEC ID: PN-ACQ-584

October 1999

English

CMD short-term advisor Colin Meredith

Institutional Partner: CASE, CMA

Colin Meredith wrote this report to educate CMD partner institutions (in particular the CMA and CASE) about the benefits of registering securities sales representatives and

about the proper implementation of a registration program. The report enumerates several benefits that a registration program can provide to the securities industry, including increased credibility and a greater ability to attract foreign institutional investors. Meredith also notes that a registration program for securities sales representatives can serve as a foundation for registration programs for other securities industry personnel. In addition to enumerating the benefits of a registration program, the report also offers a step-by-step description for establishing and maintaining such a program. The report includes an implementation schedule for the registration program. The program was never implemented due to lack of institutional interest.

CMD Quarterly Progress Report: Third Quarter 1999

October 1999

English

CMD project staff

All Institutional Partners

Presentation on Market Surveillance to the Chairman of the Capital Market Authority, H. E. Abdel Hamid Ibrahim - Video

October 1999

Investment Securities Workshops

November 1999

The purpose of these workshop was to: 1. Examine the series of more important means or “policies” by which the general policy of Article 8 can be implemented to protect parties to a securities transaction; 2. Determine whether those means already exist under Egyptian law; and if not determine whether they are desirable for the Egyptian market; 3. Make recommendations considered appropriate for any desirable amendments to Egyptian law.

A Proposal for Improving Broker Compliance Procedures

November 1999

English and Arabic

CMD short-term advisor Homi Gandhi

Institutional Partner: CMA

Homi Gandhi wrote this report to assist the CMA in improving its broker compliance procedures. In order to understand the CMA’s current broker inspection process, Gandhi reviewed Capital Market Law 95 of 1992 (English translation) and held meetings with the CMA Deputy Chairman and management. The report contains a description of Gandhi’s findings. In addition, it lists several items that the CMA can prepare (with CMD assistance) that will improve broker compliance procedures, including a uniform set of documents for new customer accounts, a uniform set of records for customer transactions, and manuals for both CMA inspectors and brokers’ internal compliance officers. CMA is developing manuals for the inspection of different classes of market intermediaries regulated by the CMA. These will be completed in the second quarter of 2002.

Improving Reporting on Investment Funds in Egypt

November 1999

English

CMD short-term advisor Fred Mostoller

Institutional Partner: CMA

The CMA asked CMD to help devise ways of improving the information about investment funds that is available to the public. In this report, Fred Mostoller begins by discussing EIMA's suitability for assuming the lead role in the implementation of an investment fund information system. He then offers recommendations on several topics related to implementation of the system, including report design, information dissemination, and database design and maintenance. Since a strong regulatory framework is crucial for the effective analysis of financial data, Mostoller also suggests that EIMA assume a more proactive role in the regulatory process. Finally, he discusses things that EIMA can do, as part of implementing the information system, that will help develop its institutional capacity and prepare it for one day becoming a self-regulatory organization. The report also contains several appendices related to investment fund reporting, securities regulations, and investment management standards. In the context of strengthening EIMA's role in this area, CMD subsequently assisted with the development of a local version of the Global Investment Performance Standards (GIPS). They are scheduled for finalization in 2002.

International Securities Identification Numbering System (ISIN)

November 1999

English

CMD project staff

Institutional Partner: CMA

The International Securities Identification Numbering System (ISIN) is a twelve-character code that uniquely identifies a specific security issue. This report describes the ISIN code's structure and, for that part of the structure that is left up to individual countries, recommends that Egypt adopt the Brazilian coding system. In addition, the report describes the structure and benefits of the Classification of Financial Instruments (CFI) Code. The CFI Code is not a part of the ISIN code, but a field in the securities record. The report then discusses the issues and implications of applying ISIN and the CFI Code in Egypt. Finally, the report advises how corporate actions affect the allocation of ISIN codes. The CMA is implementing the ISIN system for Egyptian securities.

Proposal for a Fair and Reasonable Fee Structure

November 1999

English and Arabic

CMD short-term advisor John McPartland

Institutional Partner: MCSD

This report, which was prepared by John McPartland in collaboration with CMD subcontractor Zarrouk & Khaled, is designed to assist MCSD in the development of a

fair, reasonable, and competitive fee structure. The report begins by describing MCSD's need to develop a fee structure that will ensure its self-sufficiency and sustainability while maintaining an equitable allocation of reasonable dues, fees, and other charges among its participants. The report then reviews pricing approaches used by other clearing organizations and makes the assumption that MCSD will adopt the "cost accounting" approach that is typical of cooperative membership organizations. This is followed by a summary of findings and recommendations on a variety of pricing issues, including custody fees, book-entry settlement fees, and physical securities settlement fees. However, the report does not discuss all of MCSD's fees, because the authors chose not to comment on those fees that they judged to already be set at appropriate levels. The results of discussions on appropriate ways to identify MCSD's direct and indirect expenses and methods of equitably allocating administrative expenses to MCSD's services can be found in the report's appendices. These recommendations, as well as subsequent recommendations on fees for clearing and settling transactions in fixed-income securities are being used in 2002 to construct a new fee structure for MCSD services.

Proposal for a Stock Market Game

December 1999

English

CMD project staff

Institutional Partner: CASE

This report is a proposal for creating an Egyptian Stock Market Game (ESMG), a simulation of securities trading designed to help students and adults understand the stock market, the costs and benefits involved in decision-making, the sources and uses of capital, and other related economic concepts. The report contains instructions for running the simulation, as well as a detailed list of rules. It also contains a glossary of twenty-two common stock market terms. As the report notes, the ESGM is designed for use as a classroom tool in connection with an appropriate course. In addition, it is anticipated that ESGM Coordinators will conduct local teacher training workshops and be available to answer questions, while securities industry professionals will volunteer their time for classroom presentations. CASE subsequently implemented the game and universities and over its website. It also posted a modified version of the glossary on its website.

Preparing and Producing MCSD's 1999 Annual Report

December 1999

English

CMD project staff

Institutional Partner: MCSD

CMD prepared this report in order to assist MCSD with the preparation and production of its 1999 annual report. The CMD report contains a list of guidelines for preparing the annual report, followed by a suggested outline. The three main sections of the annual report, as discussed in the outline, should be the Chairman's letter, the business review, and the financial review. A tentative timetable for preparing the annual report can be

found among the annexes to the CMD report. Other items contained in the annexes are a summary of the requirements of the Egyptian Companies Law that are applicable to annual reports, and the Group of Thirty (G-30) recommendations and prudential regulatory best practices relevant to self-regulatory and clearing and settlement organizations. With limited CMD assistance, MCSD produced its own annual reports for 1999 and 2000.

Draft Central Securities Depository and Registry Law: Draft Executive Regulations –
DEC: No copy, Library: catalogued with abstract and link to law currently posted on
CMA website.

December 1999

English and Arabic

CMD project staff

Institutional Partner: MOFT and CMA

This document was produced by the CMD project for the MOFT and CMA. It contains a first proposed draft of the Executive Regulations for the Draft Central Securities Depository and Registry Law (# 93 of 2000). These regulations were subsequently modified by the MOFT, Arabized, and issued in December 2001.

2000 Reports

CMD Year 2000 Work Plan

December 1999

English and Arabic

CMD project staff

All Institutional Partners

Ministerial Decree #43: Bond Trading (unofficial translation) – DEC ID: PN-ACQ-587

January 2000

English

CMD project staff

Institutional Partner: MOE

This decree establishes the necessary regulatory framework to permit dealer-based trading for bonds in Egypt. Its goal is to energize the capital market's bond sector, promoting non-inflationary growth by mobilizing domestic savings. The Ministry of Economy issued this decree in January 2000.

Bond Decrees: Translation from the Official Gazette, Issue 20

January 2000

Insider Trading and Price Manipulation

January 2000

English

CMD subcontractor Winston & Strawn

Institutional Partner: CMA

This document contains an outline setting forth background material and recommendations for CMA regulations in the area of insider trading and market price manipulation. In regard to insider trading, the document recommends a CMA regulation based on a model developed in 1985 by the American Bar Association Committee on Federal Regulation of Securities. In regard to market price manipulation, the document proposes several areas for possible adoption of CMA regulations as well as cancellation of the CASE 5 percent ceiling on daily price movements.

CMD Quarterly Progress Report: Fourth Quarter 1999

January 2000

English, CMD project staff

All Institutional Partners

Level One of the CMA Process Model - DEC: No copy, Library: No copy, catalogued with abstract only.

February 2000

Arabic

Ibrahim Sabri and Yasser El-Alaily (CMD IT team)

Institutional Partner: CMA

CMD began working on the CMA segment of the capital market process model in mid-1999, after CMA approval was received. The process model is a graphical description of information flow through and between the CMA's departments. When the task started, CMD intended to diagram only those departments involved with the regulation of the market (in particular the Market Operations Sector), but upon reviewing initial drafts, the CMA requested that all of its departments, including the administrative units, be included. The model has diagrams for sixteen different departments in the CMA's five major sectors. The model has been used for various automation drafts as well as for the development of a restructuring plan, an ongoing task.

Private Equity Investing: Venture/Development Capital Funds and Turnaround Funds -
 DEC ID: PN-ACQ-586
 February 2000
 English and Arabic
 Wageeh Nabarawy and Thom Flohr (CMD project)
 Institutional Partner: CMA

In the fourth quarter of 1999, the CMA Chairman asked CMD to provide a short discussion paper on the basic aspects of venture capital and turnaround funds, including a discussion of whether and how such funds should be encouraged in Egypt. The resulting report covers the basic elements of both types of funds, describing their purposes, basic characteristics, risks, and benefits (both to investors and to a market and economy on the whole). The report concludes that private equity funds can provide the needed capital for new companies, growth for existing companies, and turnaround investments for troubled companies. Nevertheless, the managers of these funds are sophisticated investors who require legal and regulatory protections to raise and successfully manage private equity capital in a given market. As a result, shareholder protections in corporate governance provisions, protection against self-dealing, and other minority shareholder protections must be coupled with effective enforcement procedures to prevent abuses and ensure the success of the equity funds.

Recommendations on the Development of Egypt's OTC Market
 February 2000
 English
 CMD short-term advisor Charles Forman
 Institutional Partner: CASE

CASE is working to increase the transparency, efficiency, and organization of trading in unlisted securities. CMD engaged Charles Forman to evaluate the current state of Egypt's over-the-counter (OTC) market and recommend short- and long-term measures to improve its efficiency and depth. Prior to drafting this report, Forman held meetings with personnel from CASE, EFA (from which CASE is procuring new trading software), and local brokerage firms. In his presentation of findings, Forman observes that there are two sets of procedures for processing OTC trades (one for trades under LE20 million and one for those over LE20 million) and this sometimes leads to confusion among investors and

brokers. He also notes that (1) Egypt's OTC market currently lacks sufficient regulations, (2) too much paperwork is needed for conducting trades, and (3) information about trades is not adequately distributed to market participants. The report concludes with thirteen short-term and eight long-term recommendations based on Forman's findings. These recommendations are designed to ensure that the essential elements of a liquid OTC market – online quotes, display of last-sale information, and dealers who can trade as principals – are put in place in Egypt.

MCS D Securities Lending and Borrowing Service: Discussion Paper

February 2000

English and Arabic

CMD short-term advisor Charles Rubin

Institutional Partner: MCS D

In this report, Charles Rubin discusses the basic aspects of a securities and lending facility, which MCS D will be mandated to form under Egypt's new Central Securities Depository and Registry Law. Such a facility does not currently exist in the Egyptian capital market. When created, it will give market participants access to a source of securities liquidity at settlement time when a participant's securities position is not sufficient to meet its obligations to MCS D. By providing liquidity, the facility will reduce late or failed settlements. The report is based on international best practices for implementing a securities and lending facility. It discusses the purpose and benefits of securities lending and borrowing, and presents the concepts involved in its operation. It also outlines the basic accounting entries that are posted according to U.S. securities accounting standards as a model for the Egyptian market.

CMD Quarterly Progress Report: First Quarter 2000 - DEC ID: PD-ABS-697

April 2000

English

CMD project staff

All Institutional Partners

Capital markets | Stock exchanges | Securities | Investment | Government departments |

Central banks | Sector restructuring

Capital Market Authority (CMA) Website

April 2000

English

CMD short-term advisor Casey Wolfe

Institutional Partner: CMA

CMD's Casey Wolfe designed and constructed a new website for the CMA. Since its launch, the website has gone under several changes but the groundwork for the site remains as CMD created. It includes basic information on the CMA's responsibilities and organizational structure. It also includes the Capital Market Law and its Executive Regulations, the newly issued Central Securities Depository and Registry Law, press releases, and other information on the authority's activities.

Ministry of Economy (MOE) Website

April 2000

English

CMD short-term advisor Casey Wolfe

Institutional Partner: MOE

At the request of the Ministry of Economy (MOE), CMD's Casey Wolfe designed, constructed, and delivered a website for the Ministry. For various internal reasons related to its transition to becoming the Ministry of Foreign Trade, the MOE decided not to launch this site

MCSD Training Department Manual - DEC ID: PN-ACJ-497

June 2000

English

CMD short-term advisor Pam Reardon

Institutional Partner: MCSD

This manual is based on an interactive model of educational program planning focused on MCSD's staff and organizational needs. Processes are not all linear; in many instances it is suggested that a number of components and tasks should be undertaken simultaneously and not necessarily in any standard order. The model consists of eleven components, and each component includes a set of tasks and decision points. Not all of the components or tasks need to be addressed in developing every program. The manual is designed to help the MCSD training department in three main areas: (1) prepare MCSD staff and managers to enter the organization, improve their present job performance, or advance and/or change their chosen occupation; (2) assist MCSD in adapting to a changing marketplace, products, and ways of operating; and (3) assist MCSD staff and managers in responding and coping with professional challenges. The manual was used as the basis for training programs in 2000 and 2001. These workshops, which will conclude in March 2002 accompany the establishment of and MCSD Training Department.

Bankruptcy Law and the Capital Market: An Assessment - DEC ID: PN-ACJ-498

June 2000

English

CMD short-term advisor Marc Albert

Institutional Partner: MCSD

In this report, Marc Albert assesses the legal risks affecting the clearing and settlement system that are posed by current Egyptian bankruptcy law. Central depositories must address "legal risk," which is (1) the risk that the risk-containment mechanisms used to guarantee the settlement of trades will not be enforced due to conflicts with other laws, or (2) the risk that unclear legal and regulatory provisions will create uncertainty, leading to interpretation and litigation. An important source of legal risk in Egypt resides in the bankruptcy law, because its provisions often do not harmonize with, and have not been

amended to accommodate, the needs and requirements of the capital market. The first part of this assessment report, “Key Legal Settlement Principle,” reviews the basic principle of clearing and settlement in mature securities markets. The second section, “Risk-Containment Mechanisms,” describes means of counteracting settlement risks: those means that are most vulnerable to ordinary provisions in bankruptcy law. The third part, “Specific Legal Issues in Egypt’s Bankruptcy Law,” assesses the risks posed by provisions of Egyptian bankruptcy law, and reflects the unanimous consensus of participants of a first-quarter 2000 workshop that included lawyers from MCSD, MOE, the CBE, private law firms, and local and international banks. All of the conclusions are based on Group of Thirty on Clearing and Settlement (G-30) and Bank for International Settlement (BIS) recommendations.

Central Securities Depository and Registry Law (No. 93 of 2000) (unofficial translation)

DEC ID: PN-ACJ-500

July 2000

English

CMD project staff

Institutional Partner: MCSD

CMD translated the law governing the Central Securities Depository and Registry. Areas covered in the law include clearing and settlement, participation, central registry regulations, custodians, incorporation and management of the central registry and depository company, supervision of the company, bankruptcy of central depository participants, and appeals and penalties. CMD advised the MOFT, CMA, and MCSD during the process of finalizing this law.

Electronic Data Gathering and Retrieval: System Requirements Report

July 2000

English and Arabic

CMD short-term advisor Sylvia Reis

Institutional Partner: CMA

In this report, Sylvia Reis outlines the benefits of an EDGAR-like electronic system for gathering and retrieving corporate information and the requirements for developing such a system at the CMA. Development and implementation of the electronic data gathering and retrieval system will be an important tool for the CMA, because it will improve the authority’s information capabilities and allow it to better meet the information needs of the investing community and public. Most importantly, the new system will allow the CMA to improve its ability to ensure compliance with corporate disclosure requirements and to effectively disseminate corporate financial and non-financial information to the investing public. The report describes electronic filing, outlines its requirements, and explains its costs and benefits. The primary benefits of an electronic filing system are increased confidence in securities filings and increased efficiency and effectiveness on the part of the CMA. The report also recommends that the CMA implement the system in phases, so as to increase filer comfort while minimizing costs.

CMA 1999 Annual Report

July 2000

English and Arabic

CMD project staff

Institutional Partner: CMA

CMD assisted the CMA with production of its 1999 annual report. The report begins with a description of the CMA's many roles and responsibilities. It then discusses the CMA's accomplishments during 1999, including establishing new requirements for brokers, issuing regulations regarding bond credit ratings, encouraging self-regulation, and sponsoring press forums. Finally, the report outlines the CMA's goals for 2000, such as passage of the Central Securities Depository and Registry Law, increasing public and investor awareness, striving for transparency and automation, and introducing new financial instruments. The annex to the report contains highlights of laws and regulations dealing with capital markets.

Comments on Draft Membership Rules for CASE: Part I - DEC ID: PN-ACK-415

July 2000

English

CMD subcontractor Winston & Strawn

Institutional Partner: CASE

CMD subcontractor Winston & Strawn analyzed four of the six areas of the Cairo and Alexandria Stock Exchanges' (CASE) draft Membership Rules and made recommendations on several aspects of the rules. Specifically, recommendations were made regarding the areas of admission to membership; financial responsibility; net capital and record-keeping; members' business structure, organization and personnel; and the rights of CASE to inspect and require reports from members and to enforce the rules of CASE and the CMA.

Comments on Draft Membership Rules for CASE: Part II

July 2000

English

CMD subcontractor Winston & Strawn

Institutional Partner: CASE

In a continuation of an earlier report, CMD subcontractor Winston & Strawn reviewed the final two areas of the Cairo and Alexandria Stock Exchanges' (CASE) draft membership rules - members' conduct of business and advertising and communications. The report concluded that the rules regarding members' conduct of business fall short of meeting several of the requirements of the executive regulations. In addition, the report finds that the one rule concerning advertising and communications is appropriate, but more are required in this area.

Draft Executive Regulations: Central Securities Depository and Registry Law (No. 93 of 2000), Document # 42

July 2000

English and Arabic

CMD project staff

Institutional Partner: MCSD

A follow up to a previous draft from December 1999, Document # 42, prepared by the CMD project, contains draft executive regulations for the Central Securities Depository and Registry Law (Law #93 of 2000). The regulations cover the following areas: licensing procedures, the self-regulatory framework, minimum licensing requirements, and conditions and standards for MCSD's depository, clearing, settlement, and registry services. The regulations were issued by the MOFT in December 2001.

Market Pulse: The Liquidity Shortage - DEC ID: PN-ACJ-499

July 2000

English

Capital markets | Capital flow | Local currency

A Proposal for the Establishment of Primary Dealers in Egypt

July 2000

English

CMD project staff and U.S. Treasury staff

Institutional Partner: CBE

This proposal provides an understanding of what is required of a primary dealer system and provides an implementation schedule for a primary dealer system in Egypt as well as outlining the rights and privileges of provisional primary dealers. Among the issues discussed are financial requirements, requirements for primary issue auctions and a secondary market, physical requirements, personnel and reporting requirements, and internal audit and policy control requirements.

An Investor's Guide to Reading Financial Statements and Reports – Brochure

Contact PMU for copies of brochure

July 2000

Arabic

CMD subcontractor Zarrouk & Khaled

Institutional Partner: ECMA

This guide, which was prepared by CMD subcontractor Zarrouk & Khaled, was sponsored by ECMA and distributed to market participants through ECMA's member firms. It is tailored to Egyptian Accounting Standards. The guide was provided as a public service to help investors and the general public understand and interpret financial information included in periodic reports of listed companies. It is divided into sections covering balance sheets, statements of income, statements of retained earnings, statements of cash flows, auditors' reports, analyzing financial statements, and

prospectuses. In total, 11,000 copies have been distributed.

CMD Quarterly Progress Report: Second Quarter 2000

July 2000

English

CMD project staff

All Institutional Partners

Firewall Security Policy and Management Guidelines – DEC: No copy, Library: No copy, catalogued with abstract only.

August 2000

CMD short-term advisor Douglas Frank

Institutional Partner: CMA

This report is a policy guide to proper implementation and administration of the CMA firewall security system. CMD procured and installed the firewall system in 2000.

Methods of Increasing Public Awareness of Investing – DEC ID: PN-ACL-345

September 2000

English and Arabic

CMD short-term advisor Marla Viorst

Institutional Partner: CMA

This report recommends public outreach and relations steps that the Egyptian securities industry and capital market institutions can take to increase demand in the capital market. It was written by Marla Viorst, who represents CMD subcontractor Hill & Knowlton, to accompany the “Market Demand Study” being led by Dr. Hanaa Kheir El-Din, a CMA board member and Cairo University professor. The primary outreach objective proposed in the report is to increase participation in the Egyptian capital markets among three groups of investors: local institutional investors, domestic retail investors, and foreign investors. In order to achieve this objective, the securities industry should establish and implement three main public outreach strategies: (1) bolster confidence in the capital markets through proactive media, customer, and industry education efforts; (2) underscore the long-term benefits of investing in the capital markets in all communications materials, including speeches and other presentations; and (3) help increase investor interest in the securities market with effective communications tools and information dissemination. The core elements of the outreach plan include: (1) materials audit and message refinement; (2) programming and Internet opportunities; (3) education, training, and awareness-building initiatives; and (4) trade and consumer media relations.

MCSD Securities Lending and Borrowing Service: Status Report

September 2000

English

CMD short-term advisor Charles Rubin

Institutional Partner: MCSD

In this report, Charles Rubin offers an introduction to the securities lending business, followed by a description of the functional specifications and system logic for all of the processing elements needed to develop an automated securities lending and borrowing (SLB) system. The SLB's processing logic is specific for the current MCSD settlement system. In order to convey a more thorough understanding of lending and borrowing activities, the report describes the conditions and operation of these activities in the U.S., where lending and borrowing securities is a major business. The report also presents a number of policy issues that must be resolved before the programming effort can be accomplished, including mandatory borrowing, the addition of new customers, and the types of fees to be charged. MCSD is expected to implement the SLB service in 2002.

MCSD Budget Procedures Manual

September 2000

English

CMD subcontractor Zarrouk & Khaled

Institutional Partner: MCSD

The goal of this manual is to develop and operate a sound budgeting system that will: (a) provide an effective management tool to develop accurate and reliable projections of revenues and costs; (b) facilitate the planning and control of operational and capital expenditures; (c) enhances the decision making process that facilitates well informed financial decisions on fee structure, staff remuneration and investment in new systems and operations; (d) foster accountability of managers for their unit's performance; and (e) will allow MCSD to efficiently operate within its not-for-profit status as a participant owned national securities settlement, registration and depository utility. The manual was used to create MCSD's first comprehensive annual budget for 2001.

The Elements of an Investor Protection Fund in Egypt – DEC ID: PN-ACL-344

October 2000

English

CMD subcontractor Winston & Strawn

Institutional Partner: CMA

In this report, CMD recommends the essential elements of an Egyptian fund to insure securities investors against loss of cash and securities caused by insolvency or bankruptcy of a securities intermediation company. For the purpose of comparison, the report includes appendices summarizing the main features of the U.S. SIPC, the U.K. Investors Compensation Scheme (ICS), and the Canadian Investor Protection Fund (CIPF). The reports findings were used as the basis for drafting a decree for the creation of an IPF, the final version of which was delivered in the first quarter 2001.

MCSD's Internal Audit Function: Evaluation and Recommendations

October 2000

English

CMD subcontractor Zarrouk & Khaled

Institutional Partner: MCSD

In this report, CMD provides an assessment of MCSD's existing internal audit function. The report is the first phase in CMD's joint efforts to improve the internal audit function at MCSD, helping the board of directors establish and maintain sound internal control systems. Based on the recommendations, CMD and MCSD developed an *Internal Audit Policy Manual* and conducted training for MCSD staff.

Proposed Decree for the Creation of an Investor Protection Fund – DEC ID: PN-ACL-343

October 2000

English

Capital markets | Economic legislation | Investment | Insurance industry

CMD Quarterly Progress Report: Third Quarter 2000 - DEC ID: PD-ABT-371

October 2000

English

CMD project staff

All Institutional Partners

Capital markets | Institution building | Stock exchanges | Securities | Government departments | Central banks

CMA Process Model: Level Two - DEC: No copy, Library: No copy, catalogued with abstract only.

December 2000

Arabic

CMD subcontractor Arabsoft

Institutional Partner: CMA

The second level of the process model covered the five departments in the CMA's Market Operations Sector: Corporate Finance - Existing Companies, Corporate Finance - New Companies, and Surveillance, as well as two smaller departments, Inspection, and Technical Expertise. The process model is a detailed diagram of information and work flows within and between CMA departments. The first level of the model, completed at the end of 1999, covered the entire CMA and provided an overview of the institutions operations. The second level of the model is a much more detailed view of workflow and procedures.

Discount Rate Presentation - Video

2000

CMD Financial Advisor Manal Shalaby

CMD Workshop on Modern Portfolio Theory [MPT] - Video

2000

2001 Reports

Surveillance and Enforcement Program: Evaluation and Recommendations – DEC ID: PN-ACL-919

January 2001

English

CMD short-term advisor Molly Bayley

Institutional Partner: CMA and CASE

This report presents the results of an evaluation of the current state of market surveillance and enforcement in the Egyptian market and makes recommendations for improvement. The assessment and recommendations involve both the CMA and CASE since both organizations play a role in surveillance and enforcement. The report concludes that there are many ways to strengthen the market surveillance and enforcement program at the CMA and CASE. The four most critical short-term steps include: (1) close coordination between the two organizations, with CASE taking responsibility for on-line (real-time) inquiries and investigations involving its members and the CMA taking responsibility for off-line (historical) investigations and prosecution; (2) enhancement of the on-line stock watch system at CASE; (3) development of and reliance upon written procedures by both organizations; and, (4) thorough joint training of all staff in how to conduct inquiries and investigations. A surveillance procedures manual and reference manual (see # 73 and # 74) were subsequently developed and CMD conducted joint training for the two surveillance staffs.

Surveillance Procedures Manual – DEC ID: PN-ACL-918

February 2001

English and Arabic

CMD short-term advisor Molly Bayley

Institutional Partner: CMA and CASE

This Surveillance Procedures Manual is designed to assist the CMA and CASE market surveillance analysts and attorneys in reviewing alerts from the CASE on-line stock watch system and in conducting reviews and investigations of market activity that appears to be unusual. It was used during the surveillance training program in February 2002.

Surveillance Reference Manual – DEC: No copy, Library: No copy, catalogued with abstract only.

February 2001

English

CMD short-term advisor Molly Bayley

Institutional Partner: CMA and CASE

This Reference Manual is a compilation of articles, papers, and case studies dealing with surveillance investigations. Like the Surveillance Procedures Manual, it is designed to be

used during the surveillance training program and can be updated with new information. It was also used during surveillance training in February 2002.

MCSD Automated Securities Lending and Borrowing Service: Final Report

February 2001

English

CMD short-term advisor Charles Rubin

Institutional Partner: MCSD

This report presents a revised introduction to the securities lending business, followed by a description of the final functional specifications and systems logic for all of the processing elements in order for an automated SLB to be developed in Egypt. There is also a section of two relevant Appendices. One describes the type of requirements of a legal agreement between a Lending Customer and his Bookkeeper necessary to implement this system. The other appendix reflects the accounting entries that would be recorded by brokerage firms in the US to reflect lending and borrowing activities.

CMD Quarterly Progress Report: Fourth Quarter 2000 - DEC ID: PN-ABT-648

Date on E-report "October 2000" incorrect.

February 2001

English

CMD project staff

All Institutional Partners

Market Surveillance and Enforcement Training Plan – DEC ID: PN-ACL-917

March 2001

English

CMD short-term advisor Molly Bayley

Institutional Partner: CMA and CASE

This training plan results from an assessment of the surveillance function at both the CMA and CASE. Both organizations currently play a role in market surveillance and enforcement. The training plan corresponds to CMD's comprehensive recommendation in the report titled "Capital Market Authority: Surveillance and Enforcement Program" (January 2001). A major training program was conducted in February 2002.

New Financial Instruments: Equity and Equity Related Issues

March 2001

English

CMD long term advisor Renato Labadan

Institutional Partner: CMA

Based on interviews with financial institutions based in New York, the report identifies three financial instruments that, if introduced into the Egyptian market, might be of interest to international investors. The need to broaden the financial instruments accessible to investors is brought to the forefront in light of the disappointing

performance of world equity markets in 2000. New instruments may offer investors risk alternatives that are more comfortable or provide them with a more economical avenue to market participation. The three equity-related products discussed in this paper are (1) convertible and exchangeable bonds, (2) an exchange-traded fund (ETF), and (3) an Egyptian version of an American Depository Receipt (ADR) or Global Depository Receipt (GDR).

Comments, Questions, and Proposals on the Draft of the New Capital Market Law -
DEC ID: PN-ACL-920

March 2001

English with an Arabic Executive Summary

CMA Senior Regulatory Advisor Michael Porter

Institutional Partner: CMA

This report presents the preliminary result of CMD's review of the Capital Market Law (CML). CMD was asked by the CMA to comment on the draft of the new CML. We conclude that the CML is a very good draft, obviously representing the product of much hard work and deep thinking about some very difficult issues. Our comments are designed to strengthen the work already done to assure the best possible new law for Egypt. The MOFT and CMA are currently revising this initial draft of the law.

Internal Audit Policy Manual - DEC ID: PN-ACN-242

March 2001

English

CMD Short-term advisor Charles Willis and Senior Financial Advisor Ahmed Hussein (Zarrouk, Khaled, & Co.)

Institutional Partner: MCSD

In this report, the CMD provides a comprehensive practical guide and learning tool for MCSD internal auditors to discharge their responsibilities as outlined in the Internal Audit Department (IAD) charter. The policies developed in this manual reflect the function of the internal auditing as defined by the Institute of Internal Auditors (IIA) in the United States. Training was conducted for MCSD on this manual.

CMD Year 2001 Work Plan

April 2001

English and Arabic

CMD project staff

All Institutional Partners

CMD Quarterly Progress Report: First Quarter 2001

April 2001

English

CMD project staff

All Institutional Partners

Delivery Versus Payment Assessment: Part I

May 2001

English

CMD short-term advisor William McAndrew

Institutional Partner: MCSD

This report was prepared by CMD short-term advisor William J. McAndrew after a field visit to evaluate the current state of delivery versus payment (DvP) in the Egyptian marketplace.

Delivery Versus Payment Assessment: Part II

May 2001

English

CMD short-term advisor William McAndrew

Institutional Partner: MCSD

This report was also written by short-term advisor William McAndrew. It updates and extends his previous report on DvP, and provides specific recommendations to improve the implementation of DvP in Egypt. Settlement in central bank funds is necessary for true finality to occur. Although a purchaser's settlement bank guarantees their customer's payment in the event of its subsequent default, the seller's settlement bank generally does not guarantee payment to their customers, without recourse, in the event of the insolvency of the purchaser's settlement bank before inter-bank settlement has occurred. This risk is only eliminated when settlement banks discharge their inter-bank obligations across accounts at the central bank, shortly after the close of settlement in the securities settlement system. The report outlines a simple procedural change at the clearing banks to remedy this situation. It would not disturb current operations at the CBE or MCSD. The only consideration would be the effect on the clearing banks' current account positions at the CBE, at the start of business each day, to cover their settlement obligations. McAndrew's recommended procedures are currently being implemented by MCSD, the CBE, and the two clearing banks.

Bankruptcy and the Capital Market: Phase 2 – DEC ID: PN-ACN-236

June 2001

English

CMD short-term advisor Marc Albert

Institutional Partner: MCSD

MCSD and CMD, under Phase Two of our task on the Egyptian Bankruptcy Law, worked with market representatives to determine ways of resolving bankruptcy provisions conflicting with the new Central Securities Depository and Regulatory Law (Law 93/2000). The recommendations are designed to enabling those conducive to the reduction of settlement risk to prevail. Based on his assessment of Egyptian bankruptcy law and input from participants in an MCSD-sponsored workshop, Albert recommends legal amendments that should be considered. Without such amendments, the Egyptian securities settlement system may not possess a finely tuned, clear, and transparent legal

basis. This would fail to meet the recommendations of the G-30, reiterated by the 2001 joint report of BIS and the IOSCO, on how to build a better settlement structure.

An Introduction to Investing in the Egyptian Capital Market – Brochure – Contact PMU for copies of brochure.

June 2001

Arabic

CMD project staff

Institutional Partner: ECMA

This is the first of four educational brochures introducing potential investors to the Egyptian capital market. The brochure covers basic capital market concepts and definitions, the market's major institutions, the differences between developed and emerging markets, and other introductory topics. More than 10,000 copies of the brochure were distributed to ECMA members, universities, business associations, and financial journalists.

How Do You Prepare To Invest – Brochure – Contact PMU for copies of brochure.

June 2001

Arabic

CMD project staff

Institutional Partner: ECMA

More than 10,000 copies of the second brochure introducing potential investor to the Egyptian capital market were distributed to ECMA members, business associations, educational institutions, financial journalists, and other government bodies. The brochure provides beginning investors with basic information on preparing to invest in stocks, bonds, and mutual funds. It includes a basic overview of budgeting and calculating how much one can afford to save and invest. It also cautions investors to be realistic about potential returns on securities, and to plan to invest for the long- rather than the short-term. The local business daily *Al Alam Al Youm* summarized and reprinted the content of the first two brochures. The paper has a subscription base of more than 100,000.

CMD Quarterly Progress Report: Second Quarter 2001 -

July 2001

English

CMD project staff

All Institutional Partners

Draft Regulation for the CMA – DEC: No copy, Library: Catalogued with abstract only.

July 2001

English

CMD Senior Regulatory Advisor Michael Porter

Institutional Partner: CMA

CMD Senior Regulatory Advisor Michael Porter developed 8 draft regulations of the Capital Market Authority (CMA). These drafts cover the following: venture capital activities, securities underwriters, making rules, advertising, insider trading, selective disclosure by issuers, price manipulation, and rules for the securitization of assets.

ECMA Forum on Investor Relations Presentation - Video
July 2001

International Financial Journalism Workshop: Final Report – DEC ID: PN-ACN-252
August 2001
English
CMD short-term advisor Michael Fowler
Institutional Partner: CMA

The primary goal of this workshop was to increase the sophistication of Egyptian financial journalist in covering financial and business news, both local and international. Participants studied international press coverage of stock markets, government and corporate bond markets, commodities exchanges, economic indicators and business issues including new product announcements, earnings reports, executive compensation, and mergers and acquisitions. Approximately 35 journalists were invited from across the spectrum of Egyptian news media. Attendance ranged between 15 and 25 for the bi-weekly sessions.

Enhancing and Enforcing Disclosure Requirements - DEC ID: PN-ACN-235
September 2001
English
CMD Senior Regulatory Advisor to the CMA Michael Porter
Institutional Partner: CMA

The CMD-drafted report, “Enforcing and Enhancing Disclosure Requirements,” states that disclosure is the most important element in a modern capital market and that the most important role of a regulator with respect to issuers is ensuring that they make full and fair disclosure of material information concerning their business and financial situation. The report’s findings are based on CMD’s work on disclosure over the life of the project. They were compiled by Senior Regulatory Advisor Michael Porter.

Guide to CMA Services # 1 – Brochure – Contact PMU for copy of brochure.
September 2001
Arabic
CMD project staff
Institutional Partner: CMA

This guide covers the procedures for increases in capital for join-stock companies and limited partnerships and modifying the nominal value of shares. Required forms are also included in the publication.

Guide to Minority Shareholders Rights in Egyptian Law – Brochure – Contact PMU for a copy of brochure.

September 2001

Arabic

CMD project staff

Institutional Partner: CMA

This booklet includes sections on the importance of minority shareholders' rights, as well as legal guarantees related to share ownership, participation in decision making, and complaints and litigation. It also outlines a number of proposals that are being considered to strengthen minority shareholders' rights.

CMA Annual Report 2000

September 2001

Arabic and English

CMD project staff

Institutional Partner: CMA

The 2000 annual report includes a wide range of information on the CMA's activities, including extensive information on the Settlement Guarantee Fund (SGF), requirements for the new professional liability insurance for securities intermediaries, Central Securities Depository and Registry Law (Law 93/2000), and plans for the IPF. The text was entirely written by the CMA for the first time since CMD's inception. The report was widely distributed and very well received.

How Do You Choose Investment Instruments – Brochure – Contact PMU for copy of brochure.

September 2001

Arabic

CMD project staff

Institutional Partner: ECMA

The brochure covers investing in stocks, bonds, and mutual funds, focusing on the differences between these financial instruments. It is specifically designed to introduce beginning investors to the choices they face when considering investing in securities, and how to decide what types of investments are right for them. Approximately 10,000 copies were distributed to ECMA members, educational institutions, businessmen's associations, and financial journalists. Local business daily *Al Alam Al Youm* summarized the content of the brochure on its capital market page, extending the reach of the initiative. Other papers announced the release of the publication.

How Do You Manage Your Investments – Brochure – Contact PMU for copy of brochure.

September 2001

Arabic

CMD project staff

Institutional Partner: ECMA

The brochure covers determining how much you can afford to invest, choosing levels of risk, understanding the difference between long-term and short-term investing, and planning for future needs. More than 9,000 copies were distributed to ECMA members, educational institutions, businessmen's associations, and financial journalists.

CMD Quarterly Progress Report: Third Quarter 2001 – DEC ID: PD-ABU-319

October 2001

English

CMD project staff

All Institutional Partners

Central Registry Service White Paper: Findings and Recommendations

December 2001

English

Subcontractor Mellon Consulting

Institutional Partner: MCSD

To assist with the creation of a state-of-the-art Central Registry Service (CRS), CMD subcontractor Mellon Consulting evaluated MCSD current capabilities and services, and recommended steps to create the new registry. The creation of a CRS is mandated by the Central Securities Depository and Registry Law and its Executive Regulations. The findings and recommendations outlined this “White Paper” are based on Mellon’s review of current MCSD practices. They then compared these practices to “best practices” for the overall management of a CRS. Based on these recommendations, MCSD, with extensive help from CMD and Mellon, will implement the CRS in 2001.

CMA Communications Function: Recommendations on Organizational Structure and Job Descriptions

December 2001

English

CMD Communications Team

Institutional Partner: CMA

Communication with internal and external audiences is an essential element in any organization or company, including government organizations. This report recommends that the CMA strengthen its communications function to more effectively deal with the financial media, market institutions, investing public, and other governmental agencies. The recommendations were implemented by the CMA in late 2001.

CMD Year 2002 Work Plan

December 2001 (Date on report is January 2002)

English and Arabic

CMD project staff

All Institutional Partners

CMD 2002 Training Plan

December 2001

English

CMD project staff

All Institutional Partners

This training plan provides an outline and method for providing training to all CMD Institutional Partners. It covers more than 40 programs with a projected cost of \$850,000.

2002 Reports

CMD Quarterly Progress Report: Fourth Quarter 2001

January 2002

English

CMD project staff

All Institutional Partners

CMA: Recommendations for Restructuring (Draft) – DEC: No copy, Library: No copy, catalogued with abstract only.

February 2002

English

CMD short-term advisor Alan Rosenberg

Institutional Partner, CMA

Short-term advisor Alan Rosenberg, working with the CMA management, drafted recommendations for restructuring the CMA's main regulatory operations along functional lines. The reorganization plan includes recommendations on organizational structure, functional statements, and job descriptions for key positions. CMD's long-term team and a local short-term organizational development specialist are currently reviewing the proposal. When finalized, it will be presented to and discussed with the CMA management.

Draft CMA Inspection Manuals – DEC: No copy, Library: No copy, catalogued with abstract only.

February 2002

English

CMD short-term advisor Alan Rosenberg

Institutional Partner: CMA

Short-term advisor, Alan Rosenberg, working with the CMA management and staff, drafted three manuals inspecting different classes of market intermediaries regulated by the CMA. The three manuals cover the inspection of brokerage and portfolio management companies, investment funds and fund managers, and emergent self-regulatory organizations, primarily CASE, MCS D, and ECMA. The manuals are currently being reviewed by the CMD long-term team, including local legal and corporate finance experts, before being finalized and presented to the CMA. Upon completion of the manuals, CMD plans to conduct a series of workshops for the CMA inspection staff.

Margin Trading Rules

March 2002

English

CMD project staff

Institutional Partner: CMA

CMD and subcontractor Winston & Strawn delivered draft regulations governing margin trading - the extension of credit by brokerage companies to their clients. These regulations were originally drafted in 2000, and then discussed with the CMA in 2001. Based on comments from the CMA, as well as from market participants, the regulations were revised and presented to the CMA a second time in February 2002. They are currently being Arabized by the CMA, with assistance from CMA's local legal team.

Net Capital Regulations

March 2002

English

CMD project staff

Institutional Partner: CMA

CMD and subcontractor Winston & Strawn delivered draft regulations setting net capital requirements for brokers. The new regulations, when enacted, divide the brokerage industry into three classifications, each with the ability to perform a different range of activities and with different capital requirements. By restructuring the industry, the regulations will reduce non-market risks faced by investors. The initial draft of the regulations were delivered in 2000, and then discussed with the CMA in 2001. Based on comments from the CMA, the regulations were modified and presented to the CMA a second time in February 2002. They are currently being Arabized by the CMA, with assistance from CMD's local legal team.

Decree for the Creation of an Investor Protection Fund in Egypt

March 2002

English

CMD project staff

Institutional Partner: CMA

CMD and subcontractor Winston & Strawn drafted a decree for the creation of an investor protection fund (IPF). The draft decree specifies the structure of the fund and the obligations of its members. The IPF will protect investors from the loss of securities or cash in the event of the insolvency or bankruptcy of a brokerage firm, or other market intermediary holding client assets. The initial draft of the decree was delivered in 2000 and discussed with the CMA management in 2001. Based on comments from the CMA, the decree was modified and presented to the CMA a second time in February 2002. It is currently being Arabized by the CMA, with assistance from CMD's local legal team.

Draft Credit Regulations

March 2002

Legal Regime for the Securitization of Assets

March 2002

English

CMD short-term advisor Michael DiGiacomo

Institutional Partner: CMA

This report was prepared by Michael DiGiacomo, a short-term advisor for the Capital Markets Development project, and a U.S. securities lawyer with extensive experience in securitization. This report is intended to assist the CMA develop regulations related to the securitization of mortgages and assets by covering the legal regime in the U.S.

Quarterly Progress Report First Quarter 2002
April 2002

Final Report on Market Surveillance Study Tours
April 2002

Quarterly Progress Report Third Quarter 2002
October 2002

Year-Five Work Plan
November 5, 2002

2003 Reports

Quarterly Progress Report Third Quarter 2003

October 2003

Extension Period (12 September 2003 - 28 February 2004) Work Plan

October 2003

Training Recommendations for the First Year Work Plan

November 1998, English, CMD short-term advisor Michael Gorham

Institutional Partner: CMA

The CMD project engaged Michael Gorham, who represents CMD subcontractor Center for Law and Financial Markets at the Illinois Institute of Technology, to recommend training strategies for the project's First Year Work Plan. Gorham conducted interviews with senior officials at CMA, CASE, MCSD, ECMA, and CBE. Based on his interviews and research, Gorham makes several recommendations, including broker training for CASE, training materials for ECMA, and courses in corporate finance and financial English for most of CMD's institutional partners. As many of the IPs have similar training needs, Gorham encourages CMD to facilitate coordination among them. However, he also notes that measures must be taken to protect the individual interests of each IP.

Media Recommendations for the First Year Work Plan

November 1998, English, CMD short-term advisor William Moore

Institutional Partner: CMA

CMD sees public education and awareness as a critical element of market development in Egypt. William Moore, who represents CMD subcontractor Edelman Communications Inc., prepared this report following meetings and interaction with financial market professionals, regulators, and journalists between October 20 and November 5, 1998. The report develops an integrated communications strategy for the CMD project. Moore begins with an overview of the current state of Egyptian public awareness about financial markets. He then offers recommendations for seminars and workshops, training materials, media campaigns, and other activities aimed at enhancing financial information. These recommendations were incorporated into CMD's First Year Work Plan and have continued to serve as a guide for the project's communications efforts.

Self Regulation, Market Surveillance, and Codes of Conduct

December 1998, English and Arabic, CMD short-term advisor Frank Wilson

Institutional Partner: CMA

In this report, Frank Wilson discusses and proposes implementation plans in three areas: self regulation, market surveillance, and codes of conduct and ethics. Section One describes the rationale behind self regulation and common functions of self-regulatory organizations in the securities industry. Section Two provides an action plan for

improving Egypt's market surveillance system, one of the CMA's key objectives. Many of Wilson's recommendations were incorporated into CMD's First Year Work Plan.

An Integrated Communications Strategy

December 1998, English, CMD short-term advisor Matthew Roberts
Institutional Partner: CMA

In this report, Matthew Roberts, who represents CMD subcontractor Hill & Knowlton, outlines an integrated communications strategy designed to promote increased investment in the Egyptian capital market. The strategy calls for (1) improving the information and public affairs capabilities of CMD's institutional partners and the Egyptian media; (2) improving the interaction and flow of information between the IPs, media, and public; and (3) utilizing public relations techniques to raise interest, awareness, and willingness to participate in Egypt's capital markets. Roberts recommends several specific tasks to be undertaken by CMD as part of the communications strategy. He also calls for the establishment of benchmarks to measure the success of the project and its institutional partners in educating investors and the general public about (1) the value of economic reforms and new market opportunities, (2) the increasing stability of Egypt's capital markets, and (3) new avenues for investment in and information about Egypt's capital markets.

Developing a Book-Entry System in Egypt

December 1998, English and Arabic, CMD short-term advisor H. John Costalos
Institutional Partner: CBE

H. John Costalos, former U.S. Treasury book-entry expert, prepared this report following meetings with the CBE, MCSD, and the European Union's Project Management Unit (EU-PMU) between November 10 and 20, 1998. The report contains a preliminary implementation plan and list of prerequisites for developing a book-entry system for the Government of Egypt's debt securities. The preliminary implementation plan has four stages: fact-gathering and analysis; development of system requirements; project definition, culminating in a fully-developed implementation plan; and implementation tasks. Development of system requirements (stage 2, above) requires several prerequisites, which Costalos enumerates in his report. At the end of the report, Costalos offers some observations based on his meetings with the EU-PMU, CBE, and MCSD. These include his observation that although CBE officials have a high degree of interest in developing an automated book-entry system, no projects to implement such a system are currently being undertaken or planned by other donors. CMD incorporated many of Costalos' recommendations into its First Year Work Plan. CMD and the CBE subsequently built a book-entry registry for Treasury bills. It will be launched in 2002.

Establishing a Settlement Guarantee Fund in Egypt

December 1998, English and Arabic, CMD short-term advisor Charles Rubin
Institutional Partner: MCSD

CMD was informed by the CMA, CASE, and MCSD that implementing a settlement guarantee fund (SGF) had the utmost priority. This opinion was shared by the brokers, bookkeepers, and custodian banks with whom the project held workshops. Charles Rubin prepared this report in order to start the process of establishing an SGF in Egypt. The report (1) defines the nature of such a fund; (2) lays out the relevant issues to be decided, the operational guidelines to be established, and suggested approaches to be implemented; and (3) outlines the essential elements of the SGF rule that is to be adopted. The report is a discussion document, laying out CMD's suggestions and recommendations. Feedback from CMD's institutional partners is essential before finalizing the structure and legal framework of the SGF. Using these recommendations as a base, the SGF was created and launched by MCSD in January 2000.

Projects to Facilitate the Introduction of Local Credit Ratings

December 1998, English, CMD subcontractor Standard & Poor's
Institutional Partner: CMA

CMD subcontractor Standard & Poor's prepared this report outlining four projects designed to assist Egypt with the introduction of independent credit ratings. The four projects proposed are (1) a survey of regulations pertaining to credit ratings and rating agencies, (2) a feasibility study for establishing a local credit-rating agency, (3) market education and training on credit-risk analysis, and (4) benchmarking an Egyptian national rating scale. The survey of regulations will provide a comparative basis upon which to formulate policies and guidelines for the Egyptian credit rating program. The feasibility study will determine local demand for rating services, and provide regulators with insight into establishing licensing procedures for local rating agencies and developing regulations pertaining to the use of credit ratings. Training will provide necessary knowledge about the purpose of credit ratings and the methodologies and procedures that underlie them. Finally, the benchmarking study will help to overcome some of the potentially disruptive impacts of introducing independent credit ratings into the Egyptian market by providing a context for the new ratings and establishing benchmarks to help guide local rating agencies. The first three projects were incorporated into the CMD project's First Year Work Plan and the fourth was included in the Year 2000 Work Plan. Between 1999 and early 2000, Standard and Poor's completed all four of these tasks.

CMD First Year Work Plan

December 1998, English and Arabic, CMD project staff
All Institutional Partners

Proposed Television and Internet Activities

January 1999, English, CMD short-term advisor William Moore
Institutional Partner: CMA

Reaching out to new audiences in Egypt with information on capital markets is a major objective of CMD. The print media is currently the primary source of financial news in Egypt, CMD aimed to increase the amount of financial news available via television and the Internet. William Moore, who represents CMD subcontractor Edelman Communications, prepared this report in order to help the project refine its plans for television and Internet support. Moore assesses the television facilities currently available in Egypt and proposes alternatives for developing regularly-scheduled television programming on capital markets issues. He also identifies alternatives for collecting and presenting information and disseminating it through the World Wide Web. Moore outlines a project-wide television programming and website strategy that calls for collaboration between CMD's institutional partners. Based in part on these recommendations, CMD helped Egyptian television improve the financial news segment on the evening news (Channel 1) and to launch a daily stock market closing report.

CMD Daily News Summaries

1998 - present, English, CMD project staff
All Institutional Partners

These are one page daily summaries of the Egyptian news. The summaries cover mostly news stories published in Arabic from 18 sources including: Al Ahram, Al Akhbar, Al Gomhouriya, Al Alam Al Youm, Al Wafd, Al Ahrar. There have been 616 summaries to date that have been distributed via email to over 75 recipients and via the internet on the U.S. - Egypt Presidents' Council website (<http://www.us-egypt.org/cmd.html>).

CMD Quarterly Progress Report: Fourth Quarter 1998

January 1999, English, CMD project staff
All Institutional Partners

Code of Conduct Recommendations for ECMA

February 1999, English and Arabic, CMD project staff
Institutional Partner: ECMA

The ECMA Board of Directors adopted a Code of Ethics and Rules for Professional Conduct in June 1996, soon after ECMA's formation. In November 1998, ECMA's directors requested a review of the code and rules in order to ensure that ECMA's standards were consistent with international standards and appropriate as a foundation for specific rules in the future. This report recommends to the ECMA Board of Directors that the seven principles of the International Organization of Securities Commissions (IOSCO) be accepted as the standards for an ECMA code of conduct. This recommendation is based on a detailed analysis of standards and rules from various sources, including the New York Stock Exchange, National Futures Association, National Association of Securities Dealers, Emerging Markets Traders Association, Bond Market Association, and Federation Internationale des Bourses de Valeurs. The results of that analysis were tested against the standards of Ministerial Decree 39 of 1998, which adds to the executive regulations of the Capital Market Law (Law 95 of 1992). All of the standards stated in Decree 39 can be matched to one or more of the seven IOSCO

principles. The full text of the IOSCO principles and of ECMA's current code and rules can be found in the appendices. CMD subsequently helped ECMA develop a modified code of conduct for its members.

A Comparison Between Egyptian and International Accounting Standards

April 1999, English and Arabic, CMD Senior Financial Advisor Ahmed Hussein
Institutional Partner: CMA

One of CMD's tasks is to assist the CMA to enhance transparency and the presentation and disclosure of financial and non-financial information of publicly traded companies, as well as to improve the CMA's capacity to enforce compliance in this area. This report, in which Senior Financial Advisor Ahmed Hussein compares the Egyptian Accounting Standards (EASs) issued to date with International Accounting Standards (IASs) and lists those accounting issues not provided for in the Egyptian standards, represents the initial part of CMD's efforts to enhance compliance with EASs. The report concludes that, with the exception of the Egyptian standard for accounting for finance lease contracts, the EASs issued to date are similar to the corresponding IASs. However, there are a number of relevant accounting issues covered under the IASs that are not addressed in the EASs. As such, the report identifies several areas in which new Egyptian standards should be drafted. Also, while the disclosure requirements of the EASs are generally similar to those of the IASs, the presentation requirements for financial statements differ among the two standards. Finally, the report reviews the International Accounting Standards Committee's procedures for developing and modifying standards as a possible model for the implementation of similar procedures in Egypt.

Survey of Regulations Pertaining to Credit Rating and Rating Agencies

April 1999, English, CMD subcontractor Standard & Poor's
Institutional Partner: CMA

This report, by CMD subcontractor Standard & Poor's, corresponds to the first project proposed in S&P's previous report, *Projects to Facilitate the Introduction of Local Credit Ratings*. In this latest report, S&P surveys regulations pertaining to credit ratings and rating agencies in 22 mature and emerging financial markets. The report focuses on three specific topics: the accreditation and supervision of credit rating agencies; regulations governing the use of ratings by issuers and investors; and the impact of the regulatory environment on the development of a ratings industry and the financial markets. The report notes differences in the regulatory environments of mature and emerging markets, and also highlights some of the potential pitfalls that regulators in emerging markets can face when attempting to develop a credit rating agency industry. However, the merit of the report is a factual review of the regulatory practices of the countries included in the survey. It is not intended to serve as a recommendation to the Egyptian Government to implement any particular regulatory structure.

A Primer on New Financial Instruments

April 1999, English and Arabic, CMD staff member Wageeh Nabarawy
Institutional Partner: CMA

In international financial markets, fixed-income securities comprise approximately 70 percent of total trading. However, fixed-income instruments currently constitute minimal trading activities and low issuance volume in the Egyptian market. This report presents new fixed-income financial instruments that, if introduced, would broaden the range of financial products available in the Egyptian market and provide new options for corporations to obtain financing for working capital and investment purposes. The report examines four fixed-income instruments – preferred stocks, convertible bonds, zero-coupon bonds, and bonds with warrants – to determine what is appropriate for the Egyptian market.

An Update of the CMD Project's Market Surveillance Activities

April 1999, English and Arabic, CMD project staff

Institutional Partner: CMA

CMD's First Year Work Plan outlined the project's proposed surveillance activities for 1999. However, several developments during the first quarter of 1999 forced the project to rethink its approach and this report provides an update on the project's surveillance activities during 1999. As discussed in the report, the project conducted 4 training sessions at CASE and 12 at the CMA during the first quarter of 1999. These training sessions continued throughout the year, along with assistance in other areas such as procurement of automation technology, policy-related matters, and legal and regulatory issues. Following the report, CMD engaged a short-term advisor to make comprehensive recommendations on surveillance in 2000 and produced a surveillance procedures manual and reference manual. A major study tour conducted in early 2002.

Government Securities Book-Entry System: Fact-Gathering and Evaluation Report

April 1999, English and Arabic, CMD short-term advisor H. John Costalos

Institutional Partner: CBE

This report summarizes the fact gathering that was conducted to gain familiarity with the current environment for government debt securities in Egypt. The report also presents evaluations of several items that needed to be resolved prior to developing the requirements document. In order to gain a proper perspective, it was important to gather information from the variety of organizations that participate in different aspects of the government securities market. The information was obtained through interviews that were held with the CBE, banks, brokers, and others involved in that market. They would become the users of the new book-entry system and the ones the system must serve. The report was used as a basis for the development of a system requirements report (see # 22, below).

CMD Quarterly Progress Report: First Quarter 1999

April 1999, English, CMD project staff

All Institutional Partners

CMA 1998 Annual Report

May 1999, English and Arabic, CMD project staff

Institutional Partner: CMA

CMD assisted the CMA with production of its 1998 annual report. The report describes a variety of achievements in the Egyptian capital markets during 1998, including new regulations, technological improvements at CASE and MCSD, and a dramatic increase in trading volume. The report also discusses the CMA's efforts to increase ties with foreign counterparts and international organizations such as the IOSCO. Finally, the report contains three pages of charts and graphs that demonstrate the dramatic increase in market activity during 1998 and throughout the 1990s. This was the CMA's first annual report in two years.

A Proposal for Developing a Market Surveillance Program

June 1999, English and Arabic, CMD project staff

Institutional Partner: CMA

Since it is impossible for surveillance analysts to manually examine every trade as it occurs, most developed securities exchanges utilize software programs to identify those transactions that warrant investigation. This report outlines the steps that the CMA should undertake to develop a market surveillance program. The first step was the creation of a historical database and related software program to identify exceptional trading activities requiring further investigation by surveillance analysts. Next, procedures were required to investigate exceptional trading activities in order to determine those that might indicate fraudulent behavior. The last step was the generation of reports that could be used to assess the performance of surveillance analysts and evaluate the overall effectiveness of the surveillance function, as well as to serve as evidence for use in the prosecution of illegal acts. In addition to describing each of these steps in detail, the report includes a proposed timeline and list of required resources for implementation of the proposal. The CMA and CMD developed a surveillance program based, in part, on these specifications.

MCSD Organizational Structure, Functional Statements, and Job Descriptions

June 1999, English and Arabic, CMD short-term advisor David Hornby

Institutional Partner: MCSD

This report, which was prepared by David Hornby in collaboration with CMD subcontractor Zarrouk & Khaled, is designed to assist MCSD in developing its organizational structure so that it can provide professional, timely, and safe delivery of its services. The report resulted from a fact-finding mission during which a team of CMD and MCSD employees conducted interviews with all MCSD personnel in a supervisory or higher position, as well as with members of other market institutions. The results of these interviews were incorporated into the organizational charts, functional statements, and job descriptions that comprise this report. In addition to assisting with the development of MCSD's organizational structure, the report is also designed to lay the groundwork for other tasks relating to the institutional development of MCSD. Such tasks include developing a process model of the MCSD, enhancing the internal audit

function, establishing a User Advisory Group, and training MCSD staff. The new organizational structure was subsequently approved by the MCSD Board of Directors and implemented.

Government Securities Book-Entry System: System Requirements Report
June 1999, English and Arabic, CMD short-term advisor H. John Costalos
Institutional Partner: CBE

This third report, by H. John Costalos, corresponds to the second stage of the implementation plan contained in his earlier report, *Developing a Book-Entry System in Egypt*. In this latest report, Costalos defines what functions should be included in the proposed book-entry system for the government securities in Egypt. Prior to preparing this report, Costalos met with various participants in the government securities market – the CBE, CASE, MCSD, banks, brokers, and others. Using the information gathered from these meetings, Costalos analyzed and evaluated the specific needs of the Egyptian financial market. Among the items analyzed in the report is the numbering system that the book-entry system will use to identify securities. In addition, the report evaluates the topic of delivery-versus-payment and its relation to the book-entry system. The report notes that, due to rapidly changing conditions in Egypt, adjustments in the book-entry system may be required. However, the system requirements presented in the report were judged to best satisfy the needs of Egypt. This report served as the basis for the development of a detailed design for the book-entry registry for Treasury bills. The registry is scheduled for launch in March 2002.

CMA Public Company Non-Financial Statement Disclosure Recommendations July 1999,
English, CMD short-term advisor James Reum
Institutional Partner: CMA

This report consists of an outline and draft initial regulations relating to a proposed approach for revising and expanding the CMA's current public company non-financial statement disclosure requirements. The report strongly recommends the IOSCO international disclosure standards as the best model and framework from which to develop the revised CMA non-financial statement disclosure standards.

MCSD 1998 Annual Report
July 1999, English and Arabic, CMD project staff
Institutional Partner: MCSD

CMD assisted MCSD with production of its 1998 annual report. The report describes the development and implementation of new systems to improve market security and efficiency and new initiatives like the establishment of the SGF. It also summarizes the clearing and settlement process and the difference between record-entry settlement and physical settlement. In addition, the report discusses MCSD's financial performance in 1998, when income declined due to the depository's new competitive pricing policy. Finally, the report contains for the first time, assorted financial statements and a list of MCSD's shareholders and participants.

CMD Quarterly Progress Report: Second Quarter 1999

July 1999, English, CMD project staff

All Institutional Partners

Recommendations for Information Display Devices

August 1999, English, CMD short-term advisor Fred Brink

Institutional Partner: CASE

CASE requested CMD's assistance with the design and implementation of market data display devices that will transform CASE into a more visible entity. In this report, Fred Brink evaluates the research done by CASE into potential media display technology. The report examines display systems for external communication to the public outside the building, as well as for internal communication on the trading floor. Brink offers advice regarding the appropriateness of media display technology for meeting CASE's needs and goals, both now and in the future. He also provides an approach for further developing CASE's public outreach through additional media, exhibits, and public information programs.

Training in Capital Markets: Current Practices, Recommended Products, and Possible Directions for CASE

August 1999, English, CMD short-term advisor Michael Gorham

Institutional Partner: CASE

Michael Gorham prepared this report to educate CASE about capital market training practices at U.S. financial institutions and about currently available training products. He observes that U.S. exchanges provide little capital markets training to their staffs, while other financial institutions do considerably more. He also notes that computer-based training (CBT) has become an increasingly popular training option. The report describes the CBT products that are most respected and utilized by U.S. financial institutions, and recommends that CASE purchase some of them for use by employees with reasonable English-language skills. The report also suggests that CASE consider participating in the creation of similar products in Arabic with local content. Finally, the report presents two ideas for CASE's consideration. First, that any effective training plan must be closely tied to CASE's business plan. Second, that CASE consider becoming a knowledge-based or learning-based organization.

Report on Training-of-Trainers Workshop for ECMA

August 1999, English, CMD short-term advisor Michael Gorham

Institutional Partner: ECMA

This report provides a description of the training-of-trainers workshop delivered by Michael Gorham with the assistance of CMD long-term advisor Amr Tabbakh. The workshop, which was held at ECMA's request, was conducted over four nights and focused on the training needs of capital market institutions. Each of the four modules (one per night) is described in the report. The report also contains a summary of the

participants' evaluations of the training, as well as Gorham's recommendations for improving future training workshops.

CMA Public Company Disclosure Regulations

September 1999, English, CMD short-term advisor James Reum
Institutional Partner: CMA

This report assesses the need and extent of possible CMA regulation in the proxy area. It contains (1) an outline summarizing certain existing provisions of Egyptian law relating to the conduct of shareholder general meetings, and (2) the scope of proxy regulation coverage in U.S. SEC Regulation 14A and Schedule 14A (as well as a preliminary indication as to which items might potentially be adopted by the CMA in some form). Also included is a "Schedule [PR]" containing proposed required information for Egyptian public company proxy statements.

CMD 1999-2001 Training Plan

September 1999, English, DT2
All Institutional Partners

This training plan was developed by the USAID-funded Development Training II (DT2) project, with extensive input from CMD and its institutional partners.

A Communications Strategy for MCSD

September 1999, English, CMD short-term advisor Jessica Berk
Institutional Partner: MCSD

Due to the complexity of its purpose and function, MCSD has often been misunderstood by the Egyptian public. In this report, Jessica Berk, who represents CMD subcontractor Hill & Knowlton, outlines an 11-step communications strategy designed to inform the Egyptian public about MCSD's policies and actions, thereby generating positive press for the central depository rather than criticism. Additionally, the strategy is designed to educate users and potential users of MCSD's services about the benefits that an independent settlement institution brings to the capital market. There are three components to the strategy. First, the report discusses a number of in-house items that, if MCSD makes them a priority, will facilitate all aspects of the broader communications strategy. Second, the report outlines a program for communication with MCSD's internal audience, including the Board of Directors and the issuers. Lastly, the report describes a program for effective communication with external audiences, especially the press. Most of the reports recommendations, have been or are being implemented by MCSD, including hiring a full-time communications specialist and creating a dedicated communications team.

Unit Investment Trusts – Background Paper

October 1999, English and Arabic, CMD short-term advisor Fred Mostoller
Institutional Partner: CMA

The CMA asked CMD for background information and analysis on unit investment trusts (UITs) and the role they might play in helping to stimulate the domestic market for fixed-income securities. In this report, Fred Mostoller provides an informative introduction to UITs, explaining what they are, how they work, and the advantages and disadvantages of owning them. He also offers an analysis of the four factors that influence UITs and their position in the marketplace: supply and demand, government intervention, market micro-structure reforms, and the legal and regulatory framework. His analysis of the Egyptian bond market in light of these factors leads him to the conclusion that although there are adequate forces of supply and demand for UITs to make them a success in Egypt, any potential development of a UIT market is hindered by the underdevelopment of the bond market in general. He observes, however, that there are actions the CMA can take to stimulate development of the bond market, thereby making UITs a more viable investment option.

Independent Credit Ratings: Needs and Demands of the Egyptian Market

October 1999, English, CMD subcontractor Standard & Poor's
Institutional Partner: CMA

This report, by CMD subcontractor Standard & Poor's, describes the results of a survey of Egypt's financial markets participants conducted by S&P with a view to assessing the needs and demands for credit rating services in Egypt. The report is based on three weeks of interviews with major constituents of the financial markets, including issuers, investors, financial intermediaries, accounting firms, government officials, regulators, and others. It begins with some background information on the role of credit ratings in the financial markets, followed by a review of the conditions needed for national financial markets to sustain an independent credit rating industry. The report then contrasts these conditions to those prevailing in the Egyptian capital markets, with regard to their ability to support independent credit rating agencies. Next, the report examines the current status of credit ratings in Egypt and impediments to their broader usage. The report concludes with a set of recommendations to help institutionalize the use of credit ratings in the Egyptian capital markets.

A Proposal for Registering Securities Sales Representatives

October 1999, English, CMD short-term advisor Colin Meredith
Institutional Partner: CASE, CMA

Colin Meredith wrote this report to educate CMD partner institutions (in particular the CMA and CASE) about the benefits of registering securities sales representatives and about the proper implementation of a registration program. The report enumerates several benefits that a registration program can provide to the securities industry, including increased credibility and a greater ability to attract foreign institutional investors. Meredith also notes that a registration program for securities sales representatives can serve as a foundation for registration programs for other securities industry personnel. In addition to enumerating the benefits of a registration program, the report also offers a step-by-step description for establishing and maintaining such a program. The report

includes an implementation schedule for the registration program. The program was never implemented due to lack of institutional interest.

CMD Quarterly Progress Report: Third Quarter 1999

October 1999, English, CMD project staff

All Institutional Partners

A Proposal for Improving Broker Compliance Procedures

November 1999, English and Arabic, CMD short-term advisor Homi Gandhi

Institutional Partner: CMA

Homi Gandhi wrote this report to assist the CMA in improving its broker compliance procedures. In order to understand the CMA's current broker inspection process, Gandhi reviewed Capital Market Law 95 of 1992 (English translation) and held meetings with the CMA Deputy Chairman and management. The report contains a description of Gandhi's findings. In addition, it lists several items that the CMA can prepare (with CMD assistance) that will improve broker compliance procedures, including a uniform set of documents for new customer accounts, a uniform set of records for customer transactions, and manuals for both CMA inspectors and brokers' internal compliance officers. CMA is developing manuals for the inspection of different classes of market intermediaries regulated by the CMA. These will be completed in the second quarter of 2002.

Improving Reporting on Investment Funds in Egypt

November 1999, English, CMD short-term advisor Fred Mostoller

Institutional Partner: CMA

The CMA asked CMD to help devise ways of improving the information about investment funds that is available to the public. In this report, Fred Mostoller begins by discussing EIMA's suitability for assuming the lead role in the implementation of an investment fund information system. He then offers recommendations on several topics related to implementation of the system, including report design, information dissemination, and database design and maintenance. Since a strong regulatory framework is crucial for the effective analysis of financial data, Mostoller also suggests that EIMA assume a more proactive role in the regulatory process. Finally, he discusses things that EIMA can do, as part of implementing the information system, that will help develop its institutional capacity and prepare it for one day becoming a self-regulatory organization. The report also contains several appendices related to investment fund reporting, securities regulations, and investment management standards. In the context of strengthening EIMA's role in this area, CMD subsequently assisted with the development of a local version of the Global Investment Performance Standards (GIPS). They are scheduled for finalization in 2002.

International Securities Identification Numbering System (ISIN)

November 1999, English, CMD project staff

Institutional Partner: CMA

The International Securities Identification Numbering System (ISIN) is a twelve-character code that uniquely identifies a specific security issue. This report describes the ISIN code's structure and, for that part of the structure that is left up to individual countries, recommends that Egypt adopt the Brazilian coding system. In addition, the report describes the structure and benefits of the Classification of Financial Instruments (CFI) Code. The CFI Code is not a part of the ISIN code, but a field in the securities record. The report then discusses the issues and implications of applying ISIN and the CFI Code in Egypt. Finally, the report advises how various corporate actions affect the allocation of ISIN codes. The CMA is currently implementing the ISIN system for Egyptian securities.

Proposal for a Fair and Reasonable Fee Structure

November 1999, English and Arabic, CMD short-term advisor John McPartland
Institutional Partner: MCSD

This report, which was prepared by John McPartland in collaboration with CMD subcontractor Zarrouk & Khaled, is designed to assist MCSD in the development of a fair, reasonable, and competitive fee structure. The report begins by describing MCSD's need to develop a fee structure that will ensure its self-sufficiency and sustainability while maintaining an equitable allocation of reasonable dues, fees, and other charges among its participants. The report then reviews pricing approaches used by other clearing organizations and makes the assumption that MCSD will adopt the "cost accounting" approach that is typical of cooperative membership organizations. This is followed by a summary of findings and recommendations on a variety of pricing issues, including custody fees, book-entry settlement fees, and physical securities settlement fees. However, the report does not discuss all of MCSD's fees, because the authors chose not to comment on those fees that they judged to already be set at appropriate levels. The results of discussions on appropriate ways to identify MCSD's direct and indirect expenses and methods of equitably allocating administrative expenses to MCSD's services can be found in the report's appendices. These recommendations, as well as subsequent recommendations on fees for clearing and settling transactions in fixed-income securities are being used in 2002 to construct a new fee structure for MCSD services.

Proposal for a Stock Market Game

December 1999, English, CMD project staff
Institutional Partner: CASE

This report is a proposal for creating an Egyptian Stock Market Game (ESMG), a simulation of securities trading designed to help students and adults understand the stock market, the costs and benefits involved in decision-making, the sources and uses of capital, and other related economic concepts. The report contains instructions for running the simulation, as well as a detailed list of rules. It also contains a glossary of twenty-two common stock market terms. As the report notes, the ESGM is designed for use as a classroom tool in connection with an appropriate course. In addition, it is anticipated that ESGM Coordinators will conduct local teacher training workshops and be available to

answer questions, while securities industry professionals will volunteer their time for classroom presentations. CASE subsequently implemented the game and universities and over its website. It also posted a modified version of the glossary on its website.

Preparing and Producing MCSD's 1999 Annual Report

December 1999, English, CMD project staff

Institutional Partner: MCSD

CMD prepared this report in order to assist MCSD with the preparation and production of its 1999 annual report. The CMD report contains a list of guidelines for preparing the annual report, followed by a suggested outline. The three main sections of the annual report, as discussed in the outline, should be the Chairman's letter, the business review, and the financial review. A tentative timetable for preparing the annual report can be found among the annexes to the CMD report. Other items contained in the annexes are a summary of the requirements of the Egyptian Companies Law that are applicable to annual reports, and the Group of Thirty (G-30) recommendations and prudential regulatory best practices relevant to self-regulatory and clearing and settlement organizations. With limited CMD assistance, MCSD produced its own annual reports for 1999 and 2000.

Draft Central Securities Depository and Registry Law: Draft Executive Regulations

December 1999, English and Arabic, CMD project staff

Institutional Partner: MOFT and CMA

This document was produced by the CMD project for the MOFT and CMA. It contains a first proposed draft of the Executive Regulations for the Draft Central Securities Depository and Registry Law (# 93 of 2000). These regulations were subsequently modified by the MOFT, Arabized, and issued in December 2001.

CMD Year 2000 Work Plan

December 1999, English and Arabic, CMD project staff

All Institutional Partners

Ministerial Decree #43: Bond Trading (unofficial translation)

January 2000, English, CMD project staff

Institutional Partner: MOE

This decree establishes the necessary regulatory framework to permit dealer-based trading for bonds in Egypt. Its goal is to energize the capital market's bond sector, promoting non-inflationary growth by mobilizing domestic savings. The Ministry of Economy issued this decree in January 2000.

Insider Trading and Price Manipulation

January 2000, English, CMD subcontractor Winston & Strawn

Institutional Partner: CMA

This document contains an outline setting forth background material and recommendations for CMA regulations in the area of insider trading and market price manipulation. In regard to insider trading, the document recommends a CMA regulation based on a model developed in 1985 by the American Bar Association Committee on Federal Regulation of Securities. In regard to market price manipulation, the document proposes several areas for possible adoption of CMA regulations as well as cancellation of the CASE 5 percent ceiling on daily price movements

CMD Quarterly Progress Report: Fourth Quarter 1999

January 2000, English, CMD project staff

All Institutional Partners

Level One of the CMA Process Model

February 2000, Arabic, Ibrahim Sabri and Yasser El-Alaily (CMD IT team)

Institutional Partner: CMA

CMD began working on the CMA segment of the capital market process model in mid-1999, after CMA approval was received. The process model is a graphical description of information flow through and between the CMA's departments. When the task started, CMD intended to diagram only those departments involved with the regulation of the market (in particular the Market Operations Sector), but upon reviewing initial drafts, the CMA requested that all of its departments, including the administrative units, be included. The model has diagrams for sixteen different departments in the CMA's five major sectors. The model has been used for various automation drafts as well as for the development of a restructuring plan, an ongoing task.

Private Equity Investing: Venture/Development Capital Funds and Turnaround Funds

February 2000, English and Arabic, Wageeh Nabarawy and Thom Flohr (CMD project)

Institutional Partner: CMA

In the fourth quarter of 1999, the CMA Chairman asked CMD to provide a short discussion paper on the basic aspects of venture capital and turnaround funds, including a discussion of whether and how such funds should be encouraged in Egypt. The resulting report covers the basic elements of both types of funds, describing their purposes, basic characteristics, risks, and benefits (both to investors and to a market and economy on the whole). The report concludes that private equity funds can provide the needed capital for new companies, growth for existing companies, and turnaround investments for troubled companies. Nevertheless, the managers of these funds are sophisticated investors who require legal and regulatory protections to raise and successfully manage private equity capital in a given market. As a result, shareholder protections in corporate governance provisions, protection against self-dealing, and other minority shareholder protections must be coupled with effective enforcement procedures to prevent abuses and ensure the success of the equity funds.

Recommendations on the Development of Egypt's OTC Market

February 2000, English, CMD short-term advisor Charles Forman

Institutional Partner: CASE

CASE is working to increase the transparency, efficiency, and organization of trading in unlisted securities. CMD engaged Charles Forman to evaluate the current state of Egypt's over-the-counter (OTC) market and recommend short- and long-term measures to improve its efficiency and depth. Prior to drafting this report, Forman held meetings with personnel from CASE, EFA (from which CASE is procuring new trading software), and local brokerage firms. In his presentation of findings, Forman observes that there are two sets of procedures for processing OTC trades (one for trades under LE20 million and one for those over LE20 million) and this sometimes leads to confusion among investors and brokers. He also notes that (1) Egypt's OTC market currently lacks sufficient regulations, (2) too much paperwork is needed for conducting trades, and (3) information about trades is not adequately distributed to market participants. The report concludes with thirteen short-term and eight long-term recommendations based on Forman's findings. These recommendations are designed to ensure that the essential elements of a liquid OTC market – online quotes, display of last-sale information, and dealers who can trade as principals – are put in place in Egypt.

MCSD Securities Lending and Borrowing Service: Discussion Paper

February 2000, English and Arabic, CMD short-term advisor Charles Rubin
Institutional Partner: MCSD

In this report, Charles Rubin discusses the basic aspects of a securities and lending facility, which MCSD will be mandated to form under Egypt's new Central Securities Depository and Registry Law. Such a facility does not currently exist in the Egyptian capital market. When created, it will give market participants access to a source of securities liquidity at settlement time when a participant's securities position is not sufficient to meet its obligations to MCSD. By providing liquidity, the facility will reduce late or failed settlements. The report is based on international best practices for implementing a securities and lending facility. It discusses the purpose and benefits of securities lending and borrowing, and presents the concepts involved in its operation. It also outlines the basic accounting entries that are posted according to U.S. securities accounting standards as a model for the Egyptian market.

CMD Quarterly Progress Report: First Quarter 2000

April 2000, English, CMD project staff
All Institutional Partners

Capital Market Authority (CMA) Website

April 2000, English, CMD short-term advisor Casey Wolfe
Institutional Partner: CMA

CMD's Casey Wolfe designed and constructed a new website for the CMA. Since its launch, the website has gone under several changes but the groundwork for the site remains as CMD created. It includes basic information on the CMA's responsibilities and organizational structure. It also includes the Capital Market Law and its Executive

Regulations, the newly issued Central Securities Depository and Registry Law, press releases, and other information on the authority's activities.

Ministry of Economy (MOE) Website

April 2000, English, CMD short-term advisor Casey Wolfe
Institutional Partner: MOE

At the request of the Ministry of Economy (MOE), CMD's Casey Wolfe designed, constructed, and delivered a website for the Ministry. For various internal reasons related to its transition to becoming the Ministry of Foreign Trade, the MOE decided not to launch this site

MCSD Training Department Manual

June 2000, English, CMD short-term advisor Pam Reardon
Institutional Partner: MCSD

This manual is based on an interactive model of educational program planning focused on MCSD's staff and organizational needs. Processes are not all linear; in many instances it is suggested that a number of components and tasks should be undertaken simultaneously and not necessarily in any standard order. The model consists of eleven components, and each component includes a set of tasks and decision points. Not all of the components or tasks need to be addressed in developing every program. The manual is designed to help the MCSD training department in three main areas: (1) prepare MCSD staff and managers to enter the organization, improve their present job performance, or advance and/or change their chosen occupation; (2) assist MCSD in adapting to a changing marketplace, products, and ways of operating; and (3) assist MCSD staff and managers in responding and coping with professional challenges. The manual was used as the basis for training programs in 2000 and 2001. These workshops, which will conclude in March 2002 accompany the establishment of and MCSD Training Department.

Bankruptcy Law and the Capital Market: An Assessment

June 2000, English, CMD short-term advisor Marc Albert
Institutional Partner: MCSD

In this report, Marc Albert assesses the legal risks affecting the clearing and settlement system that are posed by current Egyptian bankruptcy law. Central depositories must address "legal risk," which is (1) the risk that the risk-containment mechanisms used to guarantee the settlement of trades will not be enforced due to conflicts with other laws, or (2) the risk that unclear legal and regulatory provisions will create uncertainty, leading to interpretation and litigation. An important source of legal risk in Egypt resides in the bankruptcy law, because its provisions often do not harmonize with, and have not been amended to accommodate, the needs and requirements of the capital market. The first part of this assessment report, "Key Legal Settlement Principle," reviews the basic principle of clearing and settlement in mature securities markets. The second section, "Risk-Containment Mechanisms," describes means of counteracting settlement risks:

those means that are most vulnerable to ordinary provisions in bankruptcy law. The third part, “Specific Legal Issues in Egypt’s Bankruptcy Law,” assesses the risks posed by provisions of Egyptian bankruptcy law, and reflects the unanimous consensus of participants of a first-quarter 2000 workshop that included lawyers from MCSD, MOE, the CBE, private law firms, and local and international banks. All of the conclusions are based on Group of Thirty on Clearing and Settlement (G-30) and Bank for International Settlement (BIS) recommendations.

Central Securities Depository and Registry Law (No. 93 of 2000) (unofficial translation)
June 2000, English, CMD project staff
Institutional Partner: MCSD

CMD translated the law governing the Central Securities Depository and Registry. Areas covered in the law include clearing and settlement, participation, central registry regulations, custodians, incorporation and management of the central registry and depository company, supervision of the company, bankruptcy of central depository participants, and appeals and penalties. CMD advised the MOFT, CMA, and MCSD during the process of finalizing this law.

Electronic Data Gathering and Retrieval: System Requirements Report
July 2000, English and Arabic, CMD short-term advisor Sylvia Reis
Institutional Partner: CMA

In this report, Sylvia Reis outlines the benefits of an EDGAR-like electronic system for gathering and retrieving corporate information and the requirements for developing such a system at the CMA. Development and implementation of the electronic data gathering and retrieval system will be an important tool for the CMA, because it will improve the authority’s information capabilities and allow it to better meet the information needs of the investing community and public. Most importantly, the new system will allow the CMA to improve its ability to ensure compliance with corporate disclosure requirements and to effectively disseminate corporate financial and non-financial information to the investing public. The report describes electronic filing, outlines its requirements, and explains its costs and benefits. The primary benefits of an electronic filing system are increased confidence in securities filings and increased efficiency and effectiveness on the part of the CMA. The report also recommends that the CMA implement the system in phases, so as to increase filer comfort while minimizing costs.

CMA 1999 Annual Report
July 2000, English and Arabic, CMD project staff
Institutional Partner: CMA

CMD assisted the CMA with production of its 1999 annual report. The report begins with a description of the CMA’s many roles and responsibilities. It then discusses the CMA’s accomplishments during 1999, including establishing new requirements for brokers, issuing regulations regarding bond credit ratings, encouraging self-regulation, and sponsoring press forums. Finally, the report outlines the CMA’s goals for 2000, such as

passage of the Central Securities Depository and Registry Law, increasing public and investor awareness, striving for transparency and automation, and introducing new financial instruments. The annex to the report contains highlights of laws and regulations dealing with capital markets.

Comments on Draft Membership Rules for CASE: Part I
July 2000, English, CMD subcontractor Winston & Strawn
Institutional Partner: CASE

CMD subcontractor Winston & Strawn analyzed four of the six areas of the Cairo and Alexandria Stock Exchanges' (CASE) draft Membership Rules and made recommendations on several aspects of the rules. Specifically, recommendations were made regarding the areas of admission to membership; financial responsibility; net capital and record-keeping; members' business structure, organization and personnel; and the rights of CASE to inspect and require reports from members and to enforce the rules of CASE and the CMA.

Comments on Draft Membership Rules for CASE: Part II
July 2000, English, CMD subcontractor Winston & Strawn
Institutional Partner: CASE

In a continuation of an earlier report, CMD subcontractor Winston & Strawn reviewed the final two areas of the Cairo and Alexandria Stock Exchanges' (CASE) draft membership rules - members' conduct of business and advertising and communications. The report concluded that the rules regarding members' conduct of business fall short of meeting several of the requirements of the executive regulations. In addition, the report finds that the one rule concerning advertising and communications is appropriate, but more are required in this area.

Draft Executive Regulations: Central Securities Depository and Registry Law (No. 93 of 2000), Document # 42
July 2000, English and Arabic, CMD project staff
Institutional Partner: MCSD

A follow up to a previous draft from December 1999, Document # 42, prepared by the CMD project, contains draft executive regulations for the Central Securities Depository and Registry Law (Law #93 of 2000). The regulations cover the following areas: licensing procedures, the self-regulatory framework, minimum licensing requirements, and conditions and standards for MCSD's depository, clearing, settlement, and registry services. The regulations were issued by the MOFT in December 2001.

A Proposal for the Establishment of Primary Dealers in Egypt
July 2000, English, CMD project staff and U.S. Treasury staff
Institutional Partner: CBE

This proposal provides an understanding of what is required of a primary dealer system and provides an implementation schedule for a primary dealer system in Egypt as well as outlining the rights and privileges of provisional primary dealers. Among the issues discussed are financial requirements, requirements for primary issue auctions and a secondary market, physical requirements, personnel and reporting requirements, and internal audit and policy control requirements.

An Investor's Guide to Reading Financial Statements and Reports - Brochure
July 2000, Arabic, CMD subcontractor Zarrouk & Khaled
Institutional Partner: ECMA

This guide, which was prepared by CMD subcontractor Zarrouk & Khaled, was sponsored by ECMA and distributed to market participants through ECMA's member firms. It is tailored to Egyptian Accounting Standards. The guide was provided as a public service to help investors and the general public understand and interpret financial information included in periodic reports of listed companies. It is divided into sections covering balance sheets, statements of income, statements of retained earnings, statements of cash flows, auditors' reports, analyzing financial statements, and prospectuses. In total, 11,000 copies have been distributed.

CMD Quarterly Progress Report: Second Quarter 2000
July 2000, English, CMD project staff
All Institutional Partners

Firewall Security Policy and Management Guidelines
August 2000, CMD short-term advisor Douglas Frank
Institutional Partner: CMA

A policy guide to proper implementation and administration of the CMA firewall security system. CMD procured and installed the firewall system in 2000.

Methods of Increasing Public Awareness of Investing
September 2000, English and Arabic, CMD short-term advisor Marla Viorst
Institutional Partner: CMA

This report recommends public outreach and relations steps that the Egyptian securities industry and capital market institutions can take to increase demand in the capital market. It was written by Marla Viorst, who represents CMD subcontractor Hill & Knowlton, to accompany the "Market Demand Study" being led by Dr. Hanaa Kheir El-Din, a CMA board member and Cairo University professor. The primary outreach objective proposed in the report is to increase participation in the Egyptian capital markets among three groups of investors: local institutional investors, domestic retail investors, and foreign investors. In order to achieve this objective, the securities industry should establish and implement three main public outreach strategies: (1) bolster confidence in the capital markets through proactive media, customer, and industry education efforts; (2) underscore the long-term benefits of investing in the capital markets in all

communications materials, including speeches and other presentations; and (3) help increase investor interest in the securities market with effective communications tools and information dissemination. The core elements of the outreach plan include: (1) materials audit and message refinement; (2) programming and Internet opportunities; (3) education, training, and awareness-building initiatives; and (4) trade and consumer media relations.

MCSD Securities Lending and Borrowing Service: Status Report
September 2000, English, CMD short-term advisor Charles Rubin
Institutional Partner: MCSD

In this report, Charles Rubin offers an introduction to the securities lending business, followed by a description of the functional specifications and system logic for all of the processing elements needed to develop an automated securities lending and borrowing (SLB) system. The SLB's processing logic is specific for the current MCSD settlement system. In order to convey a more thorough understanding of lending and borrowing activities, the report describes the conditions and operation of these activities in the U.S., where lending and borrowing securities is a major business. The report also presents a number of policy issues that must be resolved before the programming effort can be accomplished, including mandatory borrowing, the addition of new customers, and the types of fees to be charged. MCSD is expected to implement the SLB service in 2002.

MCSD Budget Procedures Manual
September 2000, English, CMD subcontractor Zarrouk & Khaled
Institutional Partner: MCSD

The goal of this manual is to develop and operate a sound budgeting system that will: (a) provide an effective management tool to develop accurate and reliable projections of revenues and costs; (b) facilitate the planning and control of operational and capital expenditures; (c) enhance the decision-making process that facilitates well informed financial decisions on fee structure, staff remuneration and investment in new systems and operations; (d) foster accountability of managers for their unit's performance; and (e) allow MCSD to efficiently operate within its not-for-profit status as a participant-owned national securities settlement, registration and depository utility. The manual was used to create MCSD's first comprehensive annual budget for 2001.

The Elements of an Investor Protection Fund in Egypt
October 2000, English, CMD subcontractor Winston & Strawn
Institutional Partner: CMA

In this report, CMD recommends the essential elements of an Egyptian fund to insure securities investors against loss of cash and securities caused by insolvency or bankruptcy of a securities intermediation company. For the purpose of comparison, the report includes appendices summarizing the main features of the U.S. SIPC, the U.K. Investors Compensation Scheme (ICS), and the Canadian Investor Protection Fund (CIPF). The

reports findings were used as the basis for drafting a decree for the creation of an IPF, the final version of which was delivered in the first quarter 2001.

MCSD's Internal Audit Function: Evaluation and Recommendations

October 2000, English, CMD subcontractor Zarrouk & Khaled
Institutional Partner: MCSD

In this report, CMD provides an assessment of MCSD's existing internal audit function. The report is the first phase in CMD's joint efforts to improve the internal audit function at MCSD, helping the board of directors establish and maintain sound internal control systems. Based on the recommendations, CMD and MCSD developed an *Internal Audit Policy Manual* and conducted training for MCSD staff.

CMD Quarterly Progress Report: Third Quarter 2000

October 2000, English, CMD project staff
All Institutional Partners

CMA Process Model: Level Two

December 2000, Arabic, CMD subcontractor Arabsoft
Institutional Partner: CMA

The second level of the process model covered the five departments in the CMA's Market Operations Sector: Corporate Finance - Existing Companies, Corporate Finance - New Companies, and Surveillance, as well as two smaller departments, Inspection, and Technical Expertise. The process model is a detailed diagram of information and work flows within and between CMA departments. The first level of the model, completed at the end of 1999, covered the entire CMA and provided an overview of the institutions operations. The second level of the model is a much more detailed view of workflow and procedures.

CMD Year 2001 Work Plan

December 2000, English and Arabic, CMD project staff
All Institutional Partners

Surveillance and Enforcement Program: Evaluation and Recommendations

January 2001, English, CMD short-term advisor Molly Bayley
Institutional Partner: CMA and CASE

This report presents the results of an evaluation of the current state of market surveillance and enforcement in the Egyptian market and makes recommendations for improvement. The assessment and recommendations involve both the CMA and CASE since both organizations play a role in surveillance and enforcement. The report concludes that there are many ways to strengthen the market surveillance and enforcement program at the CMA and CASE. The four most critical short-term steps include: (1) close coordination between the two organizations, with CASE taking responsibility for on-line (real-time) inquiries and investigations involving its members and the CMA taking responsibility for

off-line (historical) investigations and prosecution; (2) enhancement of the on-line stock watch system at CASE; (3) development of and reliance upon written procedures by both organizations; and, (4) thorough joint training of all staff in how to conduct inquiries and investigations. A surveillance procedures manual and reference manual (see # 73 and # 74) were subsequently developed and CMD conducted joint training for the two surveillance staffs.

Surveillance Procedures Manual

February 2001, English and Arabic, CMD short-term advisor Molly Bayley
Institutional Partner: CMA and CASE

This Surveillance Procedures Manual is designed to assist the CMA and CASE market surveillance analysts and attorneys in reviewing alerts from the CASE on-line stock watch system and in conducting reviews and investigations of market activity that appears to be unusual. It was used in the surveillance training program in February 2002.

Surveillance Reference Manual

February 2001, English, CMD short-term advisor Molly Bayley
Institutional Partner: CMA and CASE

This Reference Manual is a compilation of articles, papers, and case studies dealing with surveillance investigations. Like the Surveillance Procedures Manual, it is designed to be used during the surveillance training program and can be updated with new information. It was also used during surveillance training in February 2002.

MCSD Automated Securities Lending and Borrowing Service: Final Report

February 2001, English, CMD short-term advisor Charles Rubin
Institutional Partner: MCSD

This report presents a revised introduction to the securities lending business, followed by a description of the final functional specifications and systems logic for all of the processing elements in order for an automated SLB to be developed in Egypt. There is also a section of two relevant Appendices. One describes the type of requirements of a legal agreement between a Lending Customer and his Bookkeeper necessary to implement this system. The other appendix reflects the accounting entries that would be recorded by brokerage firms in the US to reflect lending and borrowing activities.

CMD Quarterly Progress Report: Fourth Quarter 2000

February 2001, English, CMD project staff
All Institutional Partners

Market Surveillance and Enforcement Training Plan

March 2001, English, CMD short-term advisor Molly Bayley
Institutional Partner: CMA and CASE

This training plan results from an assessment of the surveillance function at both the CMA and CASE. Both organizations currently play a role in market surveillance and enforcement. The training plan corresponds to CMD's comprehensive recommendation in the report titled "Capital Market Authority: Surveillance and Enforcement Program" (January 2001). A major training program was conducted in February 2002.

New Financial Instruments: Equity and Equity Related Issues
March 2001, English, CMD long term advisor Renato Labadan
Institutional Partner: CMA

Based on interviews with financial institutions based in New York, the report identifies three financial instruments that, if introduced into the Egyptian market, might be of interest to international investors. The need to broaden the financial instruments accessible to investors is brought to the forefront with the disappointing performance of world equity markets in 2000. New instruments may offer investors risk alternatives that are more comfortable or provide them with a more economical avenue to market participation. The three equity-related products discussed in this paper are (1) convertible and exchangeable bonds, (2) an exchange-traded fund (ETF), and (3) an Egyptian version of an American Depository Receipt (ADR) or Global Depository Receipt (GDR).

Comments, Questions, and Proposals on the Draft of the New Capital Market Law
March 2001, English with an Arabic Executive Summary, CMA Senior Regulatory Advisor Michael Porter
Institutional Partner: CMA

This report presents the preliminary result of CMD's review of the Capital Market Law (CML). CMD was asked by the CMA to comment on the draft of the new CML. We conclude that the CML is a very good draft, obviously representing the product of much hard work and deep thinking about some very difficult issues. Our comments are designed to strengthen the work already done to assure the best possible new law for Egypt. The MOFT and CMA are currently revising this initial draft of the law.

Internal Audit Policy Manual
March 2001, English, CMD Short-term advisor Charles Willis and Senior Financial Advisor Ahmed Hussein (Zarrouk, Khaled, & Co.)
Institutional Partner: MCSD

In this report, the CMD provides a comprehensive practical guide and learning tool for MCSD internal auditors to discharge their responsibilities as outlined in the Internal Audit Department (IAD) charter. The policies developed in this manual reflect the function of the internal auditing as defined by the Institute of Internal Auditors (IIA) in the United States. Training was conducted for MCSD on this manual.

CMD Quarterly Progress Report: First Quarter 2001
April 2001, English, CMD project staff
All Institutional Partners

Delivery Versus Payment Assessment: Part I

May 2001, English, CMD short-term advisor William McAndrew
Institutional Partner: MCSD

This report was prepared by CMD short-term advisor William J. McAndrew after a field visit to evaluate the current state of delivery versus payment (DvP) in the Egyptian marketplace.

Delivery Versus Payment Assessment: Part II

May 2001, English, CMD short-term advisor William McAndrew
Institutional Partner: MCSD

This report was also written by short-term advisor William McAndrew. It updates and extends his previous report on DvP, and provides specific recommendations to improve the implementation of DvP in Egypt. Settlement in central bank funds is necessary for true finality to occur. Although a purchaser's settlement bank guarantees their customer's payment in the event of its subsequent default, the seller's settlement bank generally does not guarantee payment to their customers, without recourse, in the event of the insolvency of the purchaser's settlement bank before inter-bank settlement has occurred. This risk is only eliminated when settlement banks discharge their inter-bank obligations across accounts at the central bank, shortly after the close of settlement in the securities settlement system. The report outlines a simple procedural change at the clearing banks to remedy this situation. It would not disturb current operations at the CBE or MCSD. The only consideration would be the effect on the clearing banks' current account positions at the CBE, at the start of business each day, to cover their settlement obligations. McAndrew's recommended procedures are currently being implemented by MCSD, the CBE, and the two clearing banks.

Bankruptcy and the Capital Market: Phase 2

June 2001, English, CMD short-term advisor Marc Albert
Institutional Partner: MCSD

MCSD and CMD, under Phase Two of our task on the Egyptian Bankruptcy Law, worked with market representatives to determine ways of resolving bankruptcy provisions conflicting with the new Central Securities Depository and Regulatory Law (Law 93/2000). The recommendations are designed to enabling those conducive to the reduction of settlement risk to prevail. Based on his assessment of Egyptian bankruptcy law and input from participants in an MCSD-sponsored workshop, Albert recommends legal amendments that should be considered. Without such amendments, the Egyptian securities settlement system may not possess a finely tuned, clear, and transparent legal basis. This would fail to meet the recommendations of the G-30, reiterated by the 2001 joint report of BIS and the IOSCO, on how to build a better settlement structure.

An Introduction to Investing in the Egyptian Capital Market - Brochure

June 20001, Arabic, CMD project staff
Institutional Partner: ECMA

This is the first of four educational brochures introducing potential investors to the Egyptian capital market. The brochure covers basic capital market concepts and definitions, the market's major institutions, the differences between developed and emerging markets, and other introductory topics. More than 10,000 copies of the brochure were distributed to ECMA members, universities, business associations, and financial journalists.

How Do You Prepare To Invest - Brochure

June 2001, Arabic, CMD project staff

Institutional Partner: ECMA

More than 10,000 copies of the second brochure introducing potential investor to the Egyptian capital market were distributed to ECMA members, business associations, educational institutions, financial journalists, and other government bodies. The brochure provides beginning investors with basic information on preparing to invest in stocks, bonds, and mutual funds. It includes a basic overview of budgeting and calculating how much one can afford to save and invest. It also cautions investors to be realistic about potential returns on securities, and to plan to invest for the long- rather than the short-term. The local business daily *Al Alam Al Youm* summarized and reprinted the content of the first two brochures. The paper has a subscription base of more than 100,000.

CMD Quarterly Progress Report: Second Quarter 2001

July 2001, English, CMD project staff

All Institutional Partners

Draft Regulation for the CMA

July 2001, English, CMD Senior Regulatory Advisor Michael Porter

Institutional Partner: CMA

CMD Senior Regulatory Advisor Michael Porter developed 8 draft regulations for the Capital Market Authority (CMA). These drafts cover the following: venture capital activities, securities underwriters, making rules, advertising, insider trading, selective disclosure by issuers, price manipulation, and rules for the securitization of assets.

International Financial Journalism Workshop: Final Report

August 2001, English, CMD short-term advisor Michael Fowler

Institutional Partner: CMA

The primary goal of this workshop was to increase the sophistication of Egyptian financial journalist in covering financial and business news, both local and international. Participants studied international press coverage of stock markets, government and corporate bond markets, commodities exchanges, economic indicators and business issues including new product announcements, earnings reports, executive compensation, and mergers and acquisitions. Approximately 35 journalists were invited from across the spectrum of Egyptian news media. Attendance ranged from 15 to 25 for the bi-weekly sessions.

Enhancing and Enforcing Disclosure Requirements

September 2001, English, CMD Senior Regulatory Advisor to the CMA Michael Porter
Institutional Partner: CMA

The CMD-drafted report, “Enforcing and Enhancing Disclosure Requirements,” states that disclosure is the most important element in a modern capital market and that the most important role of a regulator with respect to issuers is ensuring that they make full and fair disclosure of material information concerning their business and financial situation. The report’s findings are based on CMD’s work on disclosure over the life of the project. They were compiled by Senior Regulatory Advisor Michael Porter.

Guide to CMA Services # 1 - Brochure

September 2001, Arabic, CMD project staff
Institutional Partner: CMA

This guide covers the procedures for increases in capital for join-stock companies and limited partnerships and modifying the nominal value of shares. Required forms are also included in the publication.

Guide to Minority Shareholders Rights in Egyptian Law - Brochure

September 2001, Arabic, CMD project staff
Institutional Partner: CMA

This booklet includes sections on the importance of minority shareholders’ rights, as well as legal guarantees related to share ownership, participation in decision making, and complaints and litigation. It also outlines a number of proposals that are being considered to strengthen minority shareholders’ rights.

CMA Annual Report 2000

September 2001, Arabic and English, CMD project staff
Institutional Partner: CMA

The 2000 annual report includes a wide range of information on the CMA’s activities, including extensive information on the Settlement Guarantee Fund (SGF), requirements for the new professional liability insurance for securities intermediaries, Central Securities Depository and Registry Law (Law 93/2000), and plans for the IPF. The text was entirely written by the CMA for the first time since CMD’s inception. The report was widely distributed and very well received.

How Do You Choose Investment Instruments - Brochure

September 2001, Arabic, CMD project staff
Institutional Partner: ECMA

The brochure covers investing in stocks, bonds, and mutual funds, focusing on the differences between these types of financial instruments. It is specifically designed to introduce beginning investors to the choices they face when considering investing in

securities, and how to decide what types of investments are right for them. Approximately 10,000 copies were distributed to ECMA members, educational institutions, businessmen's associations, and financial journalists. Local business daily *Al Alam Al Youm* summarized the content of the brochure on its capital market page, extending the reach of the initiative. Other papers announced the release of the publication.

How Do You Manage Your Investments - Brochure
September 2001, Arabic, CMD project staff
Institutional Partner: ECMA

The brochure covers determining how much you can afford to invest, choosing levels of risk, understanding the difference between long-term and short-term investing, and planning for future needs. More than 9,000 copies were distributed to ECMA members, educational institutions, businessmen's associations, and financial journalists.

CMD Quarterly Progress Report: Third Quarter 2001
October 2001, English, CMD project staff
All Institutional Partners

Central Registry Service White Paper: Findings and Recommendations
December 2001, English, Subcontractor Mellon Consulting
Institutional Partner: MCSD

To assist with the creation of a state-of-the-art Central Registry Service (CRS), CMD subcontractor Mellon Consulting evaluated MCSD current capabilities and services, and recommended steps to create the new registry. The creation of a CRS is mandated by the Central Securities Depository and Registry Law and its Executive Regulations. The findings and recommendations outlined this "White Paper" are based on Mellon's review of current MCSD practices. They then compared these practices to "best practices" for the overall management of a CRS. Based on these recommendations, MCSD, with extensive help from CMD and Mellon, will implement the CRS in 2001.

CMA Communications Function: Recommendations on Organizational Structure and Job Descriptions
December 2001, English, CMD Communications Team
Institutional Partner: CMA

Communication with internal and external audiences is an essential element in any organization or company, including government organizations. This report recommends that the CMA strengthen its communications function to more effectively deal with the financial media, market institutions, investing public, and other governmental agencies. The recommendations were implemented by the CMA in late 2001.

CMD Year 2002 Work Plan
December 2001, English and Arabic, CMD project staff

All Institutional Partners

CMD 2002 Training Plan

December 2001, English, CMD project staff
All Institutional Partners

This training plan provides an outline and method for providing training to all CMD Institutional Partners. It covers more than 40 programs with a projected cost of \$850,000.

CMD Quarterly Progress Report: Fourth Quarter 2001

January 2002, English, CMD project staff
All Institutional Partners

CMA: Recommendations for Restructuring (Draft)

February 2002, English, CMD short-term advisor Alan Rosenberg
Institutional Partner, CMA

Short-term advisor Alan Rosenberg, working with the CMA management, drafted recommendations for restructuring the CMA's main regulatory operations along functional lines. The reorganization plan includes recommendations on organizational structure, functional statements, and job descriptions for key positions. CMD's long-term team and a local short-term organizational development specialist are currently reviewing the proposal. When finalized, it will be presented to and discussed with the CMA management.

Draft CMA Inspection Manuals

February 2002, English, CMD short-term advisor Alan Roesenberg
Institutional Partner: CMA

Short-term advisor, Alan Rosenberg, working with the CMA management and staff, drafted three manuals inspecting different classes of market intermediaries regulated by the CMA. The three manuals cover the inspection of brokerage and portfolio management companies, investment funds and fund managers, and emergent self-regulatory organizations, primarily CASE, MCSD, and ECMA. The manuals are currently being reviewed by the CMD long-term team, including local legal and corporate finance experts, before being finalized and presented to the CMA. Upon completion of the manuals, CMD plans to conduct a series of workshops for the CMA inspection staff.

Margin Trading Regulations

March 2002, English, CMD project staff
Institutional Partner: CMA

CMD and subcontractor Winston & Strawn delivered draft regulations governing margin trading - the extension of credit by brokerage companies to their clients. These regulations were originally drafted in 2000, and then discussed with the CMA in 2001.

Based on comments from the CMA, as well as from market participants, the regulations were revised and presented to the CMA a second time in February 2002. They are currently being Arabized by the CMA, with assistance from CMA's local legal team.

Net Capital Regulations

March 2002, English, CMD project staff
Institutional Partner: CMA

CMD and subcontractor Winston & Strawn delivered draft regulations setting net capital requirements for brokers. The new regulations, when enacted, divide the brokerage industry into three classifications, each with the ability to perform a different range of activities and with different capital requirements. By restructuring the industry, the regulations will reduce non-market risks faced by investors. The initial draft of the regulations were delivered in 2000, and then discussed with the CMA in 2001. Based on comments from the CMA, the regulations were modified and presented to the CMA a second time in February 2002. They are currently being Arabized by the CMA, with assistance from CMD's local legal team.

Decree for the Creation of an Investor Protection Fund in Egypt

March 2002, English, CMD project staff
Institutional Partner: CMA

CMD and subcontractor Winston & Strawn drafted a decree for the creation of an investor protection fund (IPF). The draft decree specifies the structure of the fund and the obligations of its members. The IPF will protect investors from the loss of securities or cash in the event of the insolvency or bankruptcy of a brokerage firm, or other market intermediary holding client assets. The initial draft of the decree was delivered in 2000 and discussed with the CMA management in 2001. Based on comments from the CMA, the decree was modified and presented to the CMA a second time in February 2002. It is currently being Arabized by the CMA, with assistance from CMD's local legal team.

Legal Regime for the Securitization of Assets

March 2002, English, CMD short-term advisor Michael DiGiacomo
Institutional Partner: CMA

This report was prepared by Michael DiGiacomo, a short-term advisor for the Capital Markets Development project, and a U.S. securities lawyer with extensive experience in securitization. This report is intended to assist the CMA develop regulations related to the securitization of mortgages and assets by covering the legal regime in the U.S.

Technical Reference Guide for Financial Analysis

January 2002, Arabic, CMD Senior Financial Advisor Manal Shalaby
Institutional partner: CMA

In the first quarter of 2002, CMD Senior Financial Advisor Manal Shalaby developed The Technical Reference Guide for Financial Analysis. Later in the second quarter it was

edited and finalized. The Arabic-language guide covered the nature of financial analysis, data collection, and the analysis of financial statements, financial decisions, investment decisions, liquidity, and profitability. The guide was delivered to the CMA in the second quarter 2002.

CMD Work Plan 2002: Final Draft

January 2002, English, CMD project staff

All Institutional Partners

Securitization: Overall Legal Structure for ABSs and MBSs in the U.S.

January 2002, English, Michael Di Giacomo

Institutional partner: CMA

The passage of the Mortgage Law (Law 149/2001) cleared the way for the introduction of mortgages into the Egyptian housing and construction markets. As a result, a market for mortgage-backed securities will emerge to provide a liquid source of funds to mortgage lenders.

The objective of this report was to increase awareness among market participants and regulators of the legal and regulatory, trading, and operational prerequisites for the introduction of asset-backed securities (ABSs), including mortgage-backed securities (MBSs).

The short but concise report provides an exhaustive overview of all the legal and regulatory structure for asset-backed and mortgage-backed securities in the U.S. financial market, with specific references to relevant U.S. laws, rules, and regulations. The brief introduction summarizes the purpose and process of securitization, and the roles of the parties involved. The main section addresses the entire legal and regulatory framework for ABS and MBS in the United States: perfecting and assigning the security interest in the assets, including the requirement of “true sale,” securities, bankruptcy, tax and banking laws issues; and contractual issues. It then provides a detailed and practical list of questions to make an assessment of the readiness of the proper legal foundation of securitization. The report ends with a list of useful reference materials.

Guide to Reducing Share Capital

March 2002, Arabic, CMA staff with assistance from the CMD technical team

Institutional partner: CMA

As a supplement to the investor education series of publications, a *Guide to Reducing Share Capital* was drafted by the market operations department and edited by the CMD.

CMD Quarterly Progress Report: First Quarter 2002

March 2002, English, CMD project staff

All Institutional Partners

Final Report on Market Surveillance Study Tours

April 2002, English, Molly G. Bayley
Institutional Partner: CMA and CASE

In February 2002, CMD conducted two study tours in the USA (funded through DT2) on market surveillance and enforcement: one for two senior advisors to the Chairman of the CMA and one for two delegations from CMA and CASE. CMD short-term advisor Molly Bayley developed the itinerary, conducted the formal classroom portion, and led the tours of the SEC in Washington DC and the stock exchange in Chicago. Bayley produced three documents during this tour: a market surveillance procedures manual, a market surveillance reference manual, and a report on the study tour itself. Her study tour report describes the tours in detail. The primary purpose of the Senior Tour was to explore the broad policy and regulatory issues that the delegates must address in their roles as senior advisors to the Chairman of the CMA. The primary purpose of the Staff Tour was to provide intensive 2-week training in market surveillance for the CMA and CASE staff responsible for market surveillance. The report presents CMD and participants' recommendations for follow-up efforts. The last two sections of her report provide an outline of the classroom training and a list of exhibits. In addition to studying techniques for investigating insider trading and price manipulation, the tour included relevant site visits. The exhibits themselves are included in a separate reference binder.

CMD Quarterly Progress Report: Second Quarter 2002

June 2002, English, CMD project staff
All Institutional Partners

MCDR FAQs

June, 2002, English and Arabic, CMD technical staff
Institutional Partner: MCDR

Based on CMD's proposed FAQs on book-entry securities, and sample FAQs developed in June 2002 by CMD, MCDR developed and produced on its own initiative, four pamphlets covering its services, including the central depository, central registry, pledge, and settlement guarantee fund.

Egyptian Financial Market Booklet

English, July, 2002; Arabic, March 2003, CMD short-term advisor Publication Director Garrett Dorer, and Senior Financial Advisor Ahmed Hussein
Institutional Partner: ECMA

As part of its educational outreach initiative, CMD assisted ECMA in developing and publishing this booklet as a tool for potential investors in the Egyptian capital market, especially individual investors. This booklet was drafted in English by an expatriate advisor, edited by Garrett Dorer, translated and edited into Arabic by Ahmed Hussein. The booklet has nine chapters covering:

- The capital market in Egypt: the growth engine
- The capital market and financial sector in Egypt
- Return, risk and liquidity

- Stocks
- Bonds and other fixed-income securities
- Mutual funds
- Stock exchanges
- Clearing and settlement of securities trades
- Market surveillance and investor protection.

The booklet was published in Arabic. About 4,000 copies of the booklet were distributed to universities, clubs, ministries, associations, and to securities investors, through ECMA members.

MCSD Central Registry Procedures

July, October, and December 2002, English, CMD subcontractor Mellon Investor Services with CMD Senior Legal Advisor Neffertiti Tosson
Institutional Partner; MCSD

In a major step toward further institutionalizing Egypt's central registry, CMD helped MCDR create a complete set of external operating procedures. This is an important milestone, as it enables MCDR to better communicate its services to market participants. Participants, in turn, can undertake market operations with greater confidence.

Although the procedures should be amended as MCDR grows and adds more services for its customers, the current set is the culmination of a hands-on technical assistance effort, an effort carefully guided by CMD Senior Legal Advisor Neffertiti Tosson. Tosson worked closely with advisor Ron Powell of subcontractor Mellon Investor Services, which contributed technical assistance to developing the procedural framework for corporate actions and dividend policies and procedures.

CMA Fact Sheet

July and October 2002, English and Arabic, CMA with assistance from the CMD staff
Institutional Partner: CMA

“Protect Investors, Develop the Capital Market and Maintain its Integrity through Enforcing the Laws.” This is CMA's mission statement, as printed on the cover page of this fact sheet, which was disseminated at conferences and meetings, and through personal contact.

CMD completed the CMA Fact Sheet in English. It described the CMA's main regulatory functions and provides a brief history of the institution, a list of major accomplishments in the capital market, and an outline of major upcoming initiatives. It was completed with the assistance of the CMA in the second quarter and printed and distributed in the third quarter to foreign institutional investors, international regulatory agencies, local ministries, intermediaries, and other government bodies. This was part of the CMA's efforts to better explain its role to market participants, journalists, and the public.

An Arabic version of the fact sheet was printed and distributed in the fourth quarter. CMD distributed several hundred copies of both versions, the Arabic and English, at the CASE Step-by-Step conference, a well-attended event that introduced investors to the capital market.

Introductory Guide to the Egyptian Capital Market

July 2002 (English) and March 2003 (Arabic), CMD staff

Institutional partner: ECMA, CMA

This guide was written and edited by CMD technical staff. *The Introductory Guide to the Egyptian Capital Market* became a popular ECMA resource on market fundamentals. At a press forum, CMA Chairman Abdel Hamid Ibrahim introduced the series to journalists, who reported on the educational effort in the media.

CMD Year Five Proposed Training Activities

August 2002, English, CMD project staff

All Institutional Partners

Internal Audit at CASE

September 2002, Arabic, CMD Subcontractor Zarrouk, Khaled & Co.

Institutional Partner: CMA and CASE

CMD was requested by CMA to provide technical assistance to CASE to establish and operate an effective internal audit function. CMD contracted with Zarrouk, Khaled & Co. (Z&K) to conduct the task. Z&K evaluated the CASE's existing internal audit function; then developed and presented their recommendations to enhance the internal audit function and an implementation plan for those recommendations.

CASE hired two new internal auditors. The CASE internal audit department (IAD) and Z&K developed a charter and policy manual for the department. The policy manual outlines the professional and administrative standards governing the work of the IAD, the risk-based internal audit methodology and the reporting standards. Next, they developed audit programs for the operational, financial, and administrative functions of CASE and conducted on-job-training for CASE internal auditors on executing and reporting the audit findings of internal audit programs. The first internal audit report was presented to CASE Chairman on the securities listing function.

Finally, CMD arranged, through DT2, training for CASE auditors to prepare to sit for the Certified Internal Auditors examination.

CMA 2001 Annual Report

September 2002, English and Arabic, CMA Staff with assistance from CMD

Institutional partner: CMA

The report was written by CMA staff, then translated by CMD. CMD also handled design, layout, and printing. It was distributed in Arabic and English at the end of the quarter.

Disaster Recovery and Business Resumption Contingency Plan
September 2002, English, Gary Di Noia – report is confidential
Institutional Partner: MCSD

This is the first comprehensive Disaster Recovery and Business Resumption Contingency Plan designed for and tested with Misr for Clearing, Settlement, and Depository (MCSD). It is a strategy to ensure continued availability of essential clearing, settlement, and depository services, software programs, operations, and resources of MCSD to its employees, participants, and related organizations. The plan introduction addresses objectives, methodology, risk assessment and impact on the business of MCSD and on the capital market, types of disasters, preventative measures, overall risk rating and business function survey. It then sets forth the creation of a disaster recovery team, the hierarchy and role of each of its members, and an emergency contact list. The next sections describes the actions to be taken for full function recovery, under 5 schemes, of all departments and locations at MCSD, staged from 8 to 48 hours recovery, including the recovery of the main server, web server, communications network and security. The final sections of the Plan address systems backup and duplicate storage. An Appendix outlines the plan for testing the disaster recovery of the business functions, which test was applied and proved successful.

CMD Quarterly Progress Report: Third Quarter 2002
September 2002, English, CMD project staff
All Institutional Partners

Brochure: *Procedures for on Private Placements*
October 2002, Arabic, CMA staff with assistance from CMD
Institutional partner: CMA

CMD produced this brochure in Arabic and included the required forms. It was written by CMA staff and edited by CMD experts, and was published in the third quarter. In the fourth quarter, CMD helped to distribute it at the CASE Step-by-Step conference, a well-attended event that introduced investors to the capital market.

MCSD Fee Structure
October 2002, English and Arabic, CMD technical team
Institutional partner: MCSD

CMD was asked to assist MCSD to develop a comprehensive fee structure covering all services provided by MCSD to members, securities issuers, and investors. The fee structure was prepared on the basis of fairness and equity among all users. Ahmed Hussein and the MCSD Planning and Projects Manager conducted a series of interviews with all managers to review the processes and identify services provided to the customers

of each department. Ahmed prepared a detailed list of all services and selected the fee driver for each service that best reflects the incurred costs in doing the service. Using estimates of MCSD budget and business volumes, Ahmed developed a proposed fee structure that helps MCSD generate enough cash flow to finance its operations and investments and allocates its costs fairly and equitably among the users of its services. The proposed fee structure was immediately applied, awaiting MCSD amending its by-laws to conform to the requirements of the Securities Central Depository and Registry Law. The proposed fee structure is confidential so it was not filed with USAID.

Creation of an International Financial Services Center

December 2002, English, CMD short-term advisor David Lovegrove and CMD staff
Institutional partner: CMA

This report presented the foundation for creating an Egyptian international financial services center (EIFSC), including its historical role as a gateway to the Arab world.

The master action plan described what needed to be done in order to allow the creation of a major international financial services center in Egypt capable of competing with similar centers around the world and with a potential regional role to play. The plan also included a recommendation to address specific legal issues with the present law. In addition, it was agreed that significant dissemination of information and data among specialized parties and government officials was essential prior to proposing implementation.

Procedures Manual for a Fixed-income Unit

December 2002, English, Short-term advisor Colin Bower
Institutional partner: CMA

An experienced expatriate advisor, Colin Bower, recommended an organizational structure for the fixed-income unit, conducted workshops and developed a procedures manual. Bower conducted a workshop for CMA corporate finance staff on proposed enhancements to the CMA prospectus. Bower also conducted, with the help of other CMD advisors, a 1-day bond-market workshop for 70 market participants. Representatives from the CMA attended the event.

CMD Quarterly Progress Report: Fourth Quarter 2002

December 2002, English, CMD project staff
All Institutional Partners

Investor's Guide to Corporate Finance

January 2003, Arabic, CMD Senior Financial Advisors Tarek Ali Amer, Manal Shalaby, and Ahmed Hussein
Institutional Partner: ECMA

As part of its educational outreach initiatives, CMD assisted ECMA in developing and publishing this booklet as a tool for small investors about how they can obtain financing

for their projects through the capital market in Egypt. The guide has the following chapters:

Introduction to corporate finance

Investment decisions

Cost of funds and business valuation

Evaluating alternative sources of finance and the optimal capital structure.

The guide was published in Arabic. About 4,000 copies were distributed to investors through ECMA, CMA, and ministries.

Brochure for Investors on Margin Trading

January 2003, Arabic and English, CMD Senior Financial Advisor Ahmed Hussein

Institutional Partner: CMA and CASE

The margin trading regulations issued in 2002 requires brokers to deliver to their margin trading customer a statement outlining the concept, rules, procedures, benefits, and risks associated with trading in securities on margin. CMD assisted CASE and CMA in developing a brochure for investors as an educational tool to introduce margin trading with a clear explanation of risks involved using illustrative numerical examples of trades. This brochure also serves as a sample of the margin trading statement required from brokers. The brochure was developed in Arabic and, at the request of CASE, translated into English. Both CMA and CASE distributed the brochure on a limited scale awaiting launching the margin trading services after issuing the detailed rules by CASE.

Recommendations for Enhancing the Financial Statements Review Process at the CMA

January 2003, Arabic, CMD Senior Financial Advisor Ahmed Hussein

Institutional Partner: CMA

One of the key functions of the CMA is to review financial statements filed by companies listed on the stock exchange to ensure compliance with requirements. Ahmed Hussein developed a report on enhancing the efficiency and effectiveness of the review process and communicating review findings to companies and their auditors at the request of the CMA Chairman.

The report covers recommendations to enhance communications between CMA and the companies and auditors regarding review findings; recommendations on enhancing the review process, and gives examples of CMA review findings and suggests how they might be enhanced.

Services Rules

January 2003, Arabic and English, CMD technical team

Institutional partner: MCSD

CMD provided draft services rules. The rules are divided into registry service rules, depository service rules, clearing and settlement service rules, risk management rules, and operational procedures. The purpose of the documentation assistance was to secure

the implementation of international standards applied in similar facilities. CMD also provided general rules for participation, advisory committee, and notice to participants.

Strategic Planning at the Capital Market Authority

February 2003, English, CMD project staff

Institutional Partner: CMA

This short paper asks why make a strategic plan, talks briefly about the strategic planning process and who should be involved in making such a plan, and expected outcomes from undertaking such an exercise.

CMA Bulletin #1

March 2003, English and Arabic, CMD team with CMA staff

Institutional Partner: CMA

CMD developed and delivered an outline for the CMA bulletin. The quarterly bulletin presented the CMA's current and upcoming legal and regulatory initiatives and included a summary of enforcement actions, newly approved share offerings and capital increases, newly licensed intermediaries, and other information. It was distributed in paper and electronic form.

Update Corporate Governance Report

March 2003, Arabic, CMD technical team

Institutional partner: CMA

The CMD members were asked by the Chairman to participate, along with representatives from the financial sector, in a local corporate governance symposium in Cairo, which took place in March. The team updated the report to be presented at the regional corporate governance conference in Dubai and at the global corporate governance forum in Paris.

CMD Quarterly Progress Report: First Quarter 2003

March 2003, English, CMD project staff

All Institutional Partners

A Manual of Accounting, Auditing and Disclosure Malpractice

March 2003, Arabic, CMD DCOP Ahmed Hussein

Institutional Partner: CMA

To assist the CMA in enforcing compliance with the accounting, auditing, and disclosure requirements by companies issuing securities to the public and listed on the stock exchange, CMD DCOP Ahmed Hussein drafted a manual of accounting, auditing, and disclosure malpractices revealed by the Securities and Exchanges Committee (SEC) over the last 5-year period (1997–2002). The report covers accounting malpractices, disclosure malpractices, auditing malpractices, and recommendations for enhancing enforcement of

the accounting, auditing, and disclosure requirements, including establishing an independent board to monitor and inspect the work of auditors of public companies.

MCS D Internal Audit

April 2003, Arabic, CMD Subcontractor Zarrouk, Khaled & Co.

Institutional Partner: MCS D

CMD assisted MCS D in establishing its internal audit department and developing policy and procedures manuals covering financial and administrative functions of MCS D. In this task, Z & K internal audit advisors provided on-job-training to MCS D internal auditors on executing and reporting the findings of a sample of internal audits. Audit reports were presented and discussed with the MCS D Deputy Chairman and management. Those reports are confidential so that they were not filed with either CMD or USAID.

CASE Membership Rules

April 2003, English, CMD subcontractor Winston and Strawn

Institutional Partners: CMA and CASE

Upon a request from the CMA, CMD subcontractor Winston and Strawn redrafted CASE membership rules, initially drafted by CASE, to ensure that they comply with the best practices applied by international and developed exchanges. The drafted rules cover rules for admission to membership, rules that govern the practices of margin trading brokers, the practices that should be followed by CASE members in dealing with their customers and reporting to both CASE and CMA, the Code of Arbitration to be applied by CASE for disputes between its members, and the authorities of CASE to inspect and penalize its members to enforce membership rules.

CMD Quarterly Progress Report: Second Quarter 2003

June 2003, English, CMD project staff

All Institutional Partners

Current and Future Trends in Updating Accounting and Auditing Standards

June 2003, Arabic, CMD DCOP Ahmed Hussein

Institutional Partner: CMA

To keep the CMA abreast of ongoing developments in accounting and auditing standards that govern the preparation and presentation of financial statements of publicly-held companies, CMD DCOP Ahmed Hussein developed a report on current and future trends in updating accounting and auditing standards in the UK and USA and provided recommendations for updating the corresponding Egyptian standards.

CMD Quarterly Progress Report: Third Quarter 2003

September 2003, English, CMD project staff

All Institutional Partners

Certification for Employees of Brokerage Firms and Other Intermediaries

September 2003, Arabic, CMD Senior Financial Advisor Manal Shalaby

Institutional Partner: CMA

The purpose of this task was to enhance the competence and professionalism of the securities intermediaries and their staff to better protect and serve securities investors in Egypt. Manal developed a report to the CMA on the certification requirements for principles and representatives of securities intermediaries in the United States with an assessment and recommendations for applicability in Egypt. Manal recommended that CMA delegate the authority for conducting examinations to an SRO (CASE or ECMA) and implement a 3-phase certification program according the priorities of the Egyptian market. The first phase would be certification of brokers representatives (staff directly deal with investors), brokers principles (managers and staff supervising representatives) and investment advisors (portfolio mangers), followed by certification of staff of mutual funds and compliance officers; and ending with certification securities analysts, assistance to representatives and branch mangers of brokers.

Capital Markets Authority Report

October 2003, English and Arabic, CMD technical team

Institutional Partner: CMA

The report brings together information presented in various conferences and regional roundtables from Egypt, Jordan, Lebanon, and Morocco. It covers principles of corporate governance, including the basic rights of shareholders, equitable treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency, and the responsibilities of the corporate board of directors.

Corporate Governance in the MENA Region: Assessment and Recommendations

October 2003, English and Arabic, CMD technical team for Abdel Hamid Ibrahim, Chairman of the Egyptian Capital Market Authority

Institutional Partner: CMA

The presentation divided the MENA countries into three main economic groups: early reformers, oil exporting countries, and countries planning for economic reforms. Status, challenges, and recommendations were grouped under those headlines. The CMA Chairman gave the presentation at the Global Corporate Governance Forum.

The presentation aimed to provide a benchmark for regional corporate governance practices for the securities markets of the MENA region and identify areas for improvement. It covered both the challenges and achievements of these markets, and made recommendations for the future.

CMA Strategic Planning Manual

November 2003, English, Short-term Planning expert, Molly Bayley

Institutional partner: CMA

This manual, to be used by the CMA, includes sections on data that should be gathered to fit the CMA's specific situation. Internal data would include key financial and

operational statistics, statistics on human resources and turnover, key programs, products, services and results, technical systems and resources, and regulatory issues and constraints. External data includes demographics and statistics on key constituencies, market needs, the economic and financial environment, political information, data on other government organizations, legislation that affects the CMA's operations, social and cultural issues and trends, and new technology.

Other sections cover analyzing this data, setting goals, writing objectives, developing action plans, and implementing the strategic plan.

Preliminary Recommendations for Restructuring CMA along Functional Lines

November 2003, English, CMD short-term advisor Molly Bayley

Institutional Partner: CMA

This report covers phase one of restructuring the CMA along functional lines to enhance efficiency, eliminate duplication, and develop expertise. The report outlines the main regulatory functions of a typical securities regulator and compares the existing structure of the CMA against those functions. The report recommended the CMA's new structure as (1) securities issuance and governance; (2) corporate finance (disclosure and investment companies); (3) market regulation (markets and market participants); (4) enforcement; (5) a general counsel; and (6) a chief accountant.

Draft Organizational Structure and Functions Statements

November 2003, English, Short-term expatriate advisor Molly Bayley and short term local advisor Dr. Abdel Moneim El Tohamy

Institutional Partner: CMA

This is the second step in restructuring the CMA along functional lines task. In this phase, CMD developed and presented the proposed organizational structure and functional statements for the CMA. Functional statements covered the main CMA regulatory and supporting functions, including corporate finance and registration; market regulation; enforcement; international capital markets and information; investor education and communications; general counsel; chief accountant; and research and technical affairs.

The CMA accepted the proposal and requested assistance for implementation. The local short-term advisor took the lead in the implementation phase.

Disclosure Guide on Fixed-income Securities

November 2003, Arabic, Senior Financial Advisor Manal Shalaby

Institutional Partner: CMA

Shalaby drafted a guide to reviewing initial and ongoing disclosure by companies issuing fixed-income securities. The guide includes relevant procedures and checklists to review compliance with disclosure requirements for prospectuses, offering memoranda, and periodical disclosure filings. Manal compiled the data for this guide using materials previously developed by short-term advisor Collin Power and materials she collected

during an OST to Canada with judges and prosecutors. Attached to the guide was a model prospectus for public offering of fixed-income securities. The model was developed by Power, then translated into Arabic. Manal and Ahmed Hussein edited the Arabic translation. The model covers all information required for disclosure by issuers with some guidance to the CMA staff on how to review those prospectuses.

CMA Bulletin, #2

December, 2003, Arabic, CMA staff with assistance from CMD
Institutional Partner: CMA

This issue of the Capital Market Authority Bulletin, prepared jointly by CMA and CMD contained the agency's mission statement and a brief article on the structure of the organization. It gave information about the CMA site on the Internet and various Board decisions and approvals in the previous quarter. Other subjects discussed included incorporation of companies, capital increase, bond issuance, mutual funds, the CMA's EDGAR-like system, and new licenses for securities intermediaries.

The Bulletin is a tool for public awareness and education, and part of the educational efforts of the CMA.

CMD Quarterly Progress Report: Fourth Quarter 2003

December 2003, English, CMD project staff
All Institutional Partners

Primary Dealers for Government Securities Training

December 2003, English, CMD technical team
Institutional partner: CBE, CMA, CASE and MCDR

Under the auspices of the Capital Market Authority, US Treasury Advisor Keith Krchak conducted two series of 2-day workshops on the new primary dealer system in Egypt, for two separate audiences on December 8–11, 2003. One workshop for the banking and securities regulators included 38 representatives from the CBE, CMA, CASE and MCDR, and the other for 29 bond market participants.

The CMD-sponsored workshops were funded by USAID's DT2 project. The training report states the objectives of the training, the participants, and contains the four presentations delivered at the workshops: Primary Dealers, Trading and Investment Management, Calculations for Trading, and Regulatory Oversight of Government Securities.

Implementation of Margin Trading and Net Capital Regulations

December 2003, Arabic, CMD short-term Finance Advisor Dr. Abdel Moneim El Tohamy, Legal Advisor Dr. Ziad Baha El Dein, Database Advisor Yasser El Alyely
Institutional Partner: CMA

CMA requested assistance in putting the proposed CASE membership rules into an Arabic form as a part of the executive regulations to the Capital Market Law (CML) and developing implementation rules for the margin trading and net capital regulations issued late in 2002. The Arabic membership rules and margin trading rules were drafted by the Finance Advisor and reviewed, from legal a legal perspective, by the legal advisor. The Arabic version presented four categories of members at CASE: full members, clearing members, introducing members, and bond dealers with technical and net capital requirements.

As part of the implementation of the margin trading and net capital rules, CMD short term Database Advisor Yasser El Alyely developed an electronic form for reporting by margin trading brokers to both CASE and CMA on their margin activity and net capital. He developed a database for the storage of these reports at CASE and CMA to help fulfill their surveillance roles.

This task also included conducting a workshop on the new rules for the market participants, journalists, and CMA inspection staff. This workshop was scheduled for January 2004 but postponed at CMA's request until the proposed rules are officially issued.

Draft Decree and Executive Regulations for Investor Protection Fund

January 2004, Arabic and English, Winston and Strawn Law Firm, Securities expert Charlie Rubin, and CMD technical staff
Institutional partner: CMA

The Winston and Strawn Law Firm drafted and presented a draft decree establishing a fund to contribute to the safety and confidence of investors in the securities market. After presenting the design of the draft prime ministerial decree to CMA, CASE, and ECMA, CMD finalized the draft decree, which is designed to protect investors. Charlie Rubin, securities expert, prepared a report on the design of the IPF along with an implementation plan, in cooperation with the CMD team. The rules were finalized and presented to CMA.

Regulation of Self-regulatory Organizations

January 2004, English and Arabic, David Carrad and François Pépin
Institutional Partner: CMA

This report contains the materials (syllabus, presentation, practical cases) used for two workshops conducted on the regulation of self-regulatory organizations. The first was held in December 2002 on the stock exchange and the second in October 2003 on clearing, settlement, and depository organization.

Final Report on Restructuring CMA along Functional Lines

January 2004, English, CMD project staff
Institutional Partner: CMA

This report summarizes the work completed during the second phase of the CMD task on restructuring the CMA along functional lines, which was intended to enhance the efficiency and effectiveness of the agency's regulatory program. The first phase contained recommendations for organizing the basic regulatory functions of the CMA. In this second phase, the functions of the restructured departments were organized into logical units to optimize efficiency in carrying out each department's mission. The implementation plan for the restructuring will be finalized in phase three of the task. The actual implementation of the restructuring will undoubtedly be carried out over time.

CMA Inspection Manual Update

February 2004, English, Ken Newman, David Carrad, C. M. Sten

Institutional partner: CMA

Following workshops on the regulation of self-regulatory organizations such as the exchange and the clearing and settlement facility, the CMA inspections procedures manuals for SROs were updated to provide additional guidance on the inspection of these capital market infrastructure institutions.

MCDR Standard Master Contracts

February 2004, Arabic and English, Hassona Abou Ali Law Firm, MCDR legal staff, and CMD technical team

Institutional partner: MCSD, CMA

CMD and the MCDR legal department initiated the first draft of the application and contracts agreement for the depository service and the registry service separately. The contracts include general rules and application forms. MCDR rules are a substantial part of both contracts. CMD contracted Hassona Abou Ali law firm to finalize both contracts after comments provided by MCDR lawyers. The central registry participation agreement provides for application for membership, continuous qualification of issuer, charges principals and MCDR and issuer's obligations, default of issuer, term of validity, and notices. The contract includes dispute resolution, governing law, and language, which will facilitate future implementation of the contract.

The depository participation agreement was the second contract to be drafted first by CMA lawyers and finalized by Hassona Abou Ali law firm. The contract includes an important guarantee for the participants in the depository, clearing, and settlement services. Each new contract is subject to the MCDR master contract and to the same terms as the original transaction replaced by them. The contract also provides for the participation of the settlement grantee fund as well as the payment and delivery system conducted under MCDR.

MCDR Board of Directors' Initiation Package

February 2004, English, CMD project staff

Institutional Partner: MCDR

To familiarize new Board members with the MCDR and with the responsibilities and requirements of board membership, CMD assisted the MCDR to prepare this brief (5 page) report. Included with the report in the package is relevant information about the agency and about capital markets in Egypt as well as copies of pertinent laws and important forms.

To ensure that the MCDR has an excellent management system, CMD delivered the initiation package in both Arabic and English. The document includes a description of the role of MCDR as a unique business organization, which is one of the three pillars of the infrastructure of the securities market with CMA and CASE. It includes performance standards for directors, standards for due diligence and skill, special duty to preserve the regulatory status of MCDR, the director's statutory liability with indemnities, and insurance.

High-level Memoranda on Policy Issues and Parliamentary Agenda Items

Prepared on request, English and Arabic, CMD technical staff

Institutional partner: CMA

The CMA Chairman calls upon his in-house senior advisors from CMD to draft high-level memoranda on policy issues and parliamentary agenda items related to the capital market. CMD has responded swiftly and thoroughly to the Chairman's requests, advising most recently on:

- Anti-money laundering regulations
- The proposed IFSC, including regional precedents and best practices
- Corporate fiscal policy
- Financial indicators
- Code of ethics for the CMA personnel
- Margin trading
- Real estate finance
- Corporate governance
- Balance of payments
- Financial requirements of the Mortgage Fund Supporting Low Income
- Securitization road map.

While much of the technical team's efforts contribute directly to the tasks and deliverables in the CMD Work Plan, our advisors performed over and above the expectations of that plan. A clear indication of this is the CMA Chairman's consistently positive feedback on the performance of the CMD advisors.

Research Analysis and Follow-up on International Trends

Prepared on request, English and Arabic, CMA staff with assistance from the CMD technical team

Institutional partner: CMA

CMD continually worked to transfer research and reporting skills to the CMA technical office staff. For example, as part of the follow-up on international trends, CMD advisors

assisted CMA technical office staff members to prepare a comparative analysis between the margin trading regulations of the U.S. Securities and Exchange Commission (SEC) and the proposed Egyptian regulations. Recommendations for the CMA Chairman were then developed. In another instance, CMD technical staff guided a member of the CMA technical staff through research on SEC credit rating hearings and assisted with drafting and editing a summary report on the issue, for submission to the CMA Chairman.

Annex B: Summary of Training Activities

ANNEX B: SUMMARY OF TRAINING PROGRAMS

The Egypt Capital Markets Development (CMD) project provides training to its institutional partners through two primary modes. It conducts a wide range of formal training through the USAID-funded Development Training II (DT2) project. It also conducts specialized workshops and on-the-job training for its institutional partners. All of the programs are developed in close coordination with the project's institutional partners and designed to support ongoing initiatives. This report summarizes CMD's training activities in both areas.

I. DT2 Training Programs

This section summarizes training programs conducted by CMD through the USAID-funded DT2 project. These training programs were all developed in close coordination with our institutional partners and were included in three training plans. DT2 completed the first training plan in September 1999 with significant input from USAID, CMD, and its institutional partners. It covered 1999-2001. CMD completed the second training plan in December 2001. It covered calendar year 2002. CMD completed the third training plan in November 2002. It covered calendar -year 2003.

From 1999 through 2001, CMD conducted \$1.5 million in training through DT2. The 2002 training plan used about \$800,000 to implement programs, and \$400,000 was budgeted to implement programs in the 2003 training plan. In September 2003, it was estimated that CMD had around \$70,000 remaining from its 2003 training plan. Up to this date, those funds have been used to cover immediate training requests submitted after September 2003 (under the CMD extension work plan).

In total, we have jointly conducted 98 local and overseas programs, for an estimated total of 1696 participants. This amounted to an estimated 10,1703.5 person-hours over the life of the project.

A. DT2 Program Descriptions (1999-2001 Training Plan) - All Programs Complete

Course Title & Description (1999-2001 Training Plan)	IP	# of Participants	Duration
<p><i>TSN 687 “Capital Market Basics”</i></p> <p>This AUC program provided staff with background in capital markets, capital market development, financial markets, and securities industries.</p>	<p><i>ECMA</i></p> <p><i>Local</i></p>	2	3 hours per day– 15 days
<p><i>TSN 690 “Surveillance Practices & Internship Program at US SEC”</i></p> <p>The purpose of this overseas program was to improve the surveillance techniques adopted by both partner institutions involved through the modification of existing techniques or the development of new ones.</p>	<p><i>CASE & CMA</i></p> <p><i>Overseas</i></p>	3	8 hours per day – 10 days
<p><i>TSN 691 “Financial & Public Relations in Stock Exchanges”</i></p> <p>The purpose of this overseas study tour was to provide CASE financial staff with an understanding of the financial implications of the stock exchange, how exchanges do their budgeting, and the techniques utilized in forecasting exchange volumes and transactions.</p>	<p><i>CASE</i></p> <p><i>Overseas</i></p>	2	8 hours per day – 10 days
<p><i>TSN 693 “Basic Corporate Finance”</i></p> <p>There were 3 iterations of this program, the purpose of which was to improve staff’s understanding and knowledge of financial analysis techniques, financial statements, and rational analysis.</p>	<p><i>CASE & CMA</i></p> <p><i>Local</i></p>	24	4 hours per day – 10 days
<p><i>TSN 694 “Advanced Corporate Finance and Valuation Methods”</i></p> <p>There were 2 iterations of this program, the purpose of which was to allow staff to adopt improved financial techniques. Topics included cash flow mechanics as well as financial restructuring and valuation.</p>	<p><i>CMA, CASE, & MCSD</i></p> <p><i>Local</i></p>	24	5 hours per day – 10 days

Course Title & Description (1999-2001 Training Plan)	IP	# of Participants	Duration
<p><i>TSN 699 “Overview of Management Functions & Skills”</i></p> <p>This program improved management at a departmental level, which was reflected through the modifications incorporated into the department work plans and the performance management system used to assess staff performance.</p>	<p><i>MCS D & CMA</i></p> <p><i>Local</i></p>	25	4 hours per day – 10 days
<p><i>TSN 700 “Advanced Management Functions & Skills”</i></p> <p>The purpose of this program was to improve the management of MCS D and CMA at an organizational level, reflected through development of strategic plans and marketing plans for each of the partner institutions.</p>	<p><i>MCS D</i></p> <p><i>Local</i></p>	18	4 hours per day – 10 days
<p><i>TSN 704 “International Accounting Standards” – two iterations</i></p> <p>This program improved the application of and compliance with Egyptian Accounting Standards relative to international accounting standards.</p>	<p><i>CMA & MCS D</i></p> <p><i>Local</i></p>	18 (1st) 10 (2nd)	4 hours per day – 10 days
<p><i>TSN 705 “Mergers & Acquisitions”</i></p> <p>There were 3 iterations of this program, whose purpose was to improve middle to senior staffs’ understanding and knowledge of mergers & acquisitions. The program enhanced their corporate financial expertise.</p>	<p><i>CMA</i></p> <p><i>Local</i></p>	10	4 hours per day – 15 days
<p><i>TSN 708 “Financial Technology Expo”</i></p> <p>The purpose of this overseas conference was to provide greater awareness of financial technology and products available in the USA. This enabled participants to make recommendations for future IT enhancements in their organization.</p>	<p><i>CMA, CASE, & MCS D</i></p> <p><i>Overseas</i></p>	3	8 hours per day – 3 days
<p><i>TSN 709 “Developer 2000” – three iterations</i></p> <p>The purpose of this IT program was to upgrade the skills of new hires. It was a beginners’ course that provided the foundation for database administration and tuning.</p>	<p><i>CMA, MCS D, & CASE</i></p> <p><i>Local</i></p>	10	4 hours per day – 10 days

Course Title & Description (1999-2001 Training Plan)	IP	# of Participants	Duration
<p><i>TSN 710 “Windows 2000 & Oracle Database Administration and Tuning”</i></p> <p>The purpose of this IT program was to improve system operations through improved back-up operations and recovery systems.</p>	<p><i>CMA & MCSD</i></p> <p><i>Local</i></p>	6	4 hours per day – 10 days
<p><i>TSN 711 “Advanced System Administration and Tuning”</i></p> <p>The purpose of this IT program was to improve system operations through reduced system down time and incidence of system crashes. This program also led to increased ability to repair system failures and crashes.</p>	<p><i>CMA, MCSD, & CASE</i></p> <p><i>Local</i></p>	6	4 hours per day – 10 days
<p><i>TSN 713 “Website Development and Web Page Design” – two iterations</i></p> <p>This program enabled participants to design websites, web pages, screens, and maintain websites. Participants were able to create an operational website after attending the program.</p>	<p><i>CMA, CASE, & MCSD</i></p> <p><i>Local</i></p>	9	4 hours per day – 15 days
<p><i>TSN 731 “Mutual Funds” – two iterations</i></p> <p>The purpose of this program was to build cadres familiar with modern techniques for portfolio management including fund management.</p>	<p><i>CBE, CMA, & MCSD</i></p> <p><i>Local</i></p>	15	4 hours per day – 10 days
<p><i>TSN 732 “Advanced Capital Markets” – two iterations</i></p> <p>The purpose of this overseas program was to develop the capacity of CBE’s middle managers who are involved in monetary and financial policies and their impact on capital markets.</p>	<p><i>CBE</i></p> <p><i>Overseas</i></p>	4	8 hours per day – 10 days
<p><i>TSN 733 “Computer Training” – three iterations</i></p> <p>The purpose of this program was to prepare CBE staff to cope with the automated systems currently being applied at the CBE, and with its network connection to local and global exchanges.</p>	<p><i>CBE</i></p> <p><i>Local</i></p>	10	4 hours per day – 20 days

Course Title & Description (1999-2001 Training Plan)	IP	# of Participants	Duration
<i>TSN 734 “Financial Analysis and Evaluation of Companies”</i> The purpose of this program was to prepare a cadre of professionals to conduct financial analysis for investment, decision-making, and performance evaluation of companies.	<i>CMA</i> <i>Local</i>	28	4 hours per day – 15 days
<i>TSN740 “Windows NT Training”</i> This IT program upgraded staff skills in using Windows NT operating systems.	<i>CMA, MCSD,</i> <i>CASE</i> <i>Local</i>	7	4 hours per day – 10 days
<i>TSN 742 “Capital Markets: Functions, Tools, and Parties Involved”</i> This program was designed to expose participants to the fundamentals of the capital market industry and the legislation that governs the operation of the market.	<i>CBE, MCSD</i> <i>Local</i>	15	4 hours per day – 10 days
<i>TSN 743 “ The Role of the Banking System in Emerging Capital Markets”</i> The purpose of this program was to prepare cadres capable of understanding and coping with the changing environment of banks and stock exchanges.	<i>CBE</i> <i>Local</i>	10	4 hours per day – 10 days
Course Title & Description (1999-2001 Immediate Requests)	IP	# of Participants	Duration
<i>TSN 706 “Financial Journalism I”</i> The purpose of this overseas program was to provide financial journalists with new techniques in feature writing, financial reporting, and researching. The program enabled participants to be more accurate in their journalistic reports.	<i>CMA / journalists</i> <i>Overseas</i>	17	8 hours per day - 10 days

B. Immediate Requests (Outside CMD 1999-2001 Training Plan) - All Programs Complete

Course Title & Description (1999-2001 Immediate Requests)	IP	# of Participants	Duration
<p>“Securities Analysis”</p> <p>Provided by the NYIF. This program taught what factors determine a company’s future earnings and growth potential. It covered the tools securities analysts use in their evaluations of a company’s growth.</p>	<i>CMA</i> <i>Overseas</i>	2	8 hours per day– 10 days
<p>“Securitized Products I & II”</p> <p>Provided by the NYIF. This program guided participants through the evolution of asset securitization, which results in new products for investors or the opportunity to transfer risk, or expand sources of funding for originators.</p>	<i>CMA</i> <i>Overseas</i>	2	8 hours per day– 10 days
<p>“Fixed Income Securities”</p> <p>Provided by the NYIF. This program looked at the whole spectrum of the fixed income market. Participants learned the characteristics of corporate debt, government and asset-backed securities, and convertible stocks & bonds.</p>	<i>CMA</i> <i>Overseas</i>	2	8 hours per day– 10 days
<p>“Mergers & Acquisitions”</p> <p>Provided by the NYIF, this program provided an in-depth assessment of all major features of public and private mergers and acquisitions transactions, including structuring and pricing of the financial instruments.</p>	<i>CMA</i> <i>Overseas</i>	2	8 hours per day– 10 days
<p>“Technical Analysis”</p> <p>Provided by the NYIF. This program provided participants with a complete set of tools and techniques needed to successfully complete and meet forecasted projections in both bullish and bearish markets.</p>	<i>CMA</i> <i>Overseas</i>	2	8 hours per day– 10 days

Course Title & Description (1999-2001 Immediate Requests)	IP	# of Participants	Duration
<p><i>“Project Finance”</i></p> <p>This NYIF program focused on creating structures that provide the necessary support / security for equity partners, lenders, and other risk takers to participate in transactions.</p>	<p><i>CMA</i></p> <p><i>Overseas</i></p>	2	8 hours per day– 10 days
<p><i>“Technology for the Financial Services Industry”</i></p> <p>This program, by NYIF, provided an understanding of the trade processing life cycle and the latest trends and available services to assist a firm in achieving a straight through processing environment.</p>	<p><i>CMA</i></p> <p><i>Overseas</i></p>	2	8 hours per day– 10 days
<p><i>“Fundamentals of Capital Markets”</i></p> <p>Provided by the NYIF, this program covered all major areas of US capital markets and exposed participants to all major instruments.</p>	<p><i>CMA</i></p> <p><i>Overseas</i></p>	2	8 hours per day– 10 days
<p><i>“Managing Capital Flows & Monetary Policy”</i></p> <p>This World Bank “Global Seminar” held in Thailand was organized in cooperation with the Center for Pacific Basin Monetary and Economic studies at the Federal Reserve Bank of San Francisco.</p>	<p><i>CMA</i></p> <p><i>Overseas</i></p>	1	8 hours per day –3 days
<p><i>“SANS Security Conference DC-2000”</i></p> <p>The participants attended 3 sessions on Security, Firewalls and Perimeter Protection, and Intrusion.</p>	<p><i>CMA, MCSD, &CASE</i></p> <p><i>Overseas</i></p>	6	8 hours per day –5 days
<p><i>“Financial English Journalist Training”</i></p> <p>Provided by the Arab Academy, Financial English training was conducted for Egyptian journalists.</p>	<p><i>CMA</i></p> <p><i>Local</i></p>	30	4 hours per day- 15 days

Course Title & Description (1999-2001 Immediate Requests)	IP	# of Participants	Duration
<i>“Executive Secretarial Program”</i>	<i>ECMA</i>	1	120 hours total
Provided by the AUC, this certificate program solidified the skills required of a senior executive secretary or assistant.	<i>Local</i>		
<i>“Advanced Accounting Certificate”</i>	<i>ECMA</i>	1	120 hours total
An AUC certificate program in advanced accounting methods.	<i>Local</i>		
<i>“Internet Certification Program”</i>	<i>MCSD</i>	1	120 hours total
Provided by AUC, this is a certificate program covered internet and intranet systems.	<i>Local</i>		
<i>“Certificate of Financial Analysis (CFA)”</i>	<i>CMA</i>	2	Ongoing
Provided by AUC, this program was sponsored by AIMR.	<i>Local</i>		
<i>“CSD-6 Conference”</i>	<i>MCSD</i>	1	8 hours per day – 4 days
Mature central depositories organized these conferences around specialized issues and topics.	<i>Overseas</i>		
<i>“The E-Commerce & Insolvency Conference”</i>	<i>CMA</i>	2	8 hours per day –3 days
Provided by the Arab Judicial Colloquium, this was an Arabic seminar held annually for senior lawyers and judges.	<i>Local</i>		
<i>“Capital Market Rules & Regulations: Interpretation and Implementation”</i>	<i>CMA</i>	5	8 hours per day– 10 days
Provided by CASE & Harvard University. This program covered financial markets and institutions. It reviewed Egypt’s securities markets, laws, and regulatory agencies.	<i>Local</i>		

Course Title & Description (1999-2001 Immediate Requests)	IP	# of Participants	Duration
<i>“MCSD On-line Certification Program in Capital Markets”</i>	<i>MCSD</i>	5	Ongoing
This Illinois Institute of Technology (IIT) 3-term certification program was designed to enhance the skills of capital market participants.	<i>Local</i>		
<i>“Global Financial Systems”</i>	<i>MOEFT</i>	1	8 hours per day-10 days
Provided by Harvard University, this program focused on the economic and institutional sources of financial sector growth and volatility.	<i>Overseas</i>		

C. DT2 Program Descriptions (2002 Training Plan) - All Programs Complete

Course Title & Description (2002 Training Plan)	IP	# of Participants	Duration
<p><i>TSN 2381 “International Financial Journalism II”</i></p> <p>This overseas study tour (part II) introduced leading Egyptian financial journalists to advanced styles and editorial practices used by financial journalists at leading international publications, allowing them to adopt such techniques in their own work.</p>	<p><i>CMA, MCSD, & Journalists</i></p> <p><i>Overseas</i></p>	22	8 hours per day – 14 days
<p><i>TSN 2474 “Financial Market Operations”</i></p> <p>The purpose of this program was to enhance the CMA’s junior and middle managers’ skills and knowledge on capital markets.</p>	<p><i>CMA</i></p> <p><i>Local</i></p>	10	4 hours per day – 15 days
<p><i>TSN 2475 “Promotion & Underwriting”</i></p> <p>This program acquainted CMA staff with different approaches to underwriting and promotion, and helped them understand techniques pertaining to underwriting, ways to develop promotion plans, and manage sales activities.</p>	<p><i>CMA</i></p> <p><i>Local</i></p>	10	4 hours per day – 6 days
<p><i>TSN2477 “Surveillance Practices- 12th Annual US SEC Institute”</i></p> <p>This program improved the surveillance techniques adopted by CMA staff involved through the modification of existing techniques and the development of new ones. This increased the level of sophistication exhibited in responses to problems, and the new surveillance techniques utilized on the job, as reported by the CMD project.</p>	<p><i>CMA & CASE</i></p> <p><i>Overseas</i></p>	1	8 hours per day – 9 days
<p><i>TSN 2480 “Fixed Income Securities”</i></p> <p>This overseas program equipped CMA staff with knowledge about all bond and bond-related products available and their structure.</p>	<p><i>CMA</i></p> <p><i>Overseas</i></p>	5	8 hours per day – 7 days

Course Title & Description (2002 Training Plan)	IP	# of Participants	Duration
<p><i>TSN 2496 “Surveillance & Enforcement Training Program”</i></p> <p>This program provided a simple structure for detection and resolution of operational problems.</p>	<p><i>CMA & CASE</i></p> <p><i>Overseas</i></p>	18	8 hours per day – 14 days
<p><i>TSN 2483 “Corporate Valuation Modeling”</i></p> <p>This program provided participants with computer skills needed to build complete models using Excel. It also provided a review of valuation theories and a detailed review of cash flow valuations and practical solutions to problems with estimating key variables and valuations of business.</p>	<p><i>CMA</i></p> <p><i>Local</i></p>	10	4 hours per day – 10 days
<p><i>TSN 2484 “Mutual Funds”</i></p> <p>This program built cadres familiar with modern techniques for portfolio management including fund management.</p>	<p><i>CMA</i></p> <p><i>Local</i></p>	10	4 hours per day – 8 days
<p><i>TSN 2486 “Financial Analysis Using Computers”</i></p> <p>This program acquainted participants with advances and innovations in financial analysis and performance measures.</p>	<p><i>CMA</i></p> <p><i>Local</i></p>	10	4 hours per day – 10 days
<p><i>TSN 2487 “Securities Analysis”</i></p> <p>This program familiarized participants with basic and advanced methods of securities analysis and decision-making processes. It discussed performance measurement and the regulator’s role in monitoring and controlling trade and performance</p>	<p><i>CMA</i></p> <p><i>Local</i></p>	10	4 hours per day – 10 days
<p><i>TSN 2488 “Investing in Traditional Financial Instruments”</i></p> <p>Participants learned about conventional methods of investment and related analysis required for decision making.</p>	<p><i>CMA</i></p> <p><i>Local</i></p>	15	4 hours per day – 10 days

Course Title & Description (2002 Training Plan)	IP	# of Participants	Duration
<p><i>TSN 2489 “Fundamental Financial Statements Analysis”</i></p> <p>By the end of this course, participants were able to analyze financial ratios and perform cross-sectional and trend/time series analysis. They could analyze spreading techniques, assets & liabilities, and evaluate financial risk.</p>	<i>CMA</i> <i>Local</i>	8	4 hours per day – 15 days
<p><i>TSN 2490 “Valuation of Assets & Technical Analysis”</i></p> <p>This program developed skills and abilities of the individuals who will be involved in investment management, asset management, investment banking, and securities brokerage.</p>	<i>CMA</i> <i>Local</i>	8	3 hours per day – 7 days
<p><i>TSN 2491 “Corporate Finance Fundamentals”</i></p> <p>This course familiarized participants with the concepts of capital structure, risk analysis, and an optimal capital budget. The participants could define the target and optimal capital structure and identify different dividend policies.</p>	<i>CMA</i> <i>Local</i>	8	3 hours per day – 6 days
<p><i>TSN 2492 “Advanced Corporate Finance”</i></p> <p>This program highlighted the concept of corporate restructuring, mergers, and acquisitions. It enabled participants to understand fundamentals of project appraisal, analysis and company evaluation. It also gave participants the chance to discuss the relationship between risk and return.</p>	<i>CMA</i> <i>Local</i>	8	4 hours per day – 10 days
<p><i>TSN 2493 “Investment Banking: Public Offerings, Private Placements, and GDRs”</i></p> <p>This course covered the concepts and principals of investment banking including underwriting, IPOs, private placements and GDRs. It outlined the mechanics of privatization and the role of the various players—buyers, sellers, banks, etc.</p>	<i>CMA</i> <i>Local</i>	6	3 hours per day – 6 days

Course Title & Description (2002 Training Plan)	IP	# of Participants	Duration
<p><i>TSN 2494 “Quantitative Methods and Alternative Investments”</i></p> <p>This course reviewed statistical principles involved in collecting, organizing, presenting, analyzing, and interpreting numerical data to make sound investment decisions.</p>	<p><i>CMA</i></p> <p><i>Local</i></p>	4	4 hours per day – 20 days
<p><i>TSN 2497 “IT Strategic Planning Course”</i></p> <p>This program aligned information technology (IT) with business by developing a comprehensive IT strategic plan.</p>	<p><i>MCSD, CMA, & CBE</i></p> <p><i>Local</i></p>	12	8 hours per day – 7 days
<p><i>TSN 2498 “International Accounting Standards – IAS”</i></p> <p>This program acquainted MCSD staff with the latest methods and regulations related to international accounting standards, aiming to develop the performance of the MCSD departments related to clearing and settlement.</p>	<p><i>MCSD</i></p> <p><i>Local</i></p>	9	4 hours per day – 15 days
<p><i>TSN 2499 “Risk Management”</i></p> <p>This program aimed at a proper understanding and identification of risk and risk-related activities to boost the capabilities of MCSD’s staff to manage risk.</p>	<p><i>MCSD</i></p> <p><i>Local</i></p>	10	4 hours per day – 10 days
<p><i>TSN 2500 “Advanced Risk Management”</i></p> <p>This overseas program helped to assess and identify MCSD’s internal risk factors, and to integrate activities related to control, audit, and surveillance.</p>	<p><i>MCSD</i></p> <p><i>Overseas</i></p>	2	8 hours per day – 7 days
<p><i>TSN 2501 “Communication Skills”</i></p> <p>This program strengthened the performance of MCSD staff, allowing for higher efficiency in communication and contacts between levels of management.</p>	<p><i>MCSD</i></p> <p><i>Local</i></p>	10	3 hours per day – 8 days

Course Title & Description (2002 Training Plan)	IP	# of Participants	Duration
<p><i>TSN 2502 “Human Resources Development”</i></p> <p>MCS D is heading towards increased implementation of international standards and G30 recommendation regarding depositories. Therefore, MCS D needed to enhance the capacity and capability of its staff members to achieve the best possible performance.</p>	<p><i>MCS D</i></p> <p><i>Local</i></p>	10	3 hours per day – 10 days
<p><i>TSN 2503 “Preparation for the Examination of the CIA Designation”</i></p> <p>This program prepared MCS D internal auditors for the examination given by the Institute of Internal Auditors (IIA)—the international certification for professional internal auditors.</p>	<p><i>MCS D</i></p> <p><i>Local</i></p>	8	4 hours per day – 120 days
<p><i>TSN 2504 “Internal Control Risk Assessment”</i></p> <p>This program enhanced the skills and capabilities of MCS D internal auditors to review and assess the adequacy and effectiveness of MCS D’s internal controls.</p>	<p><i>MCS D</i></p> <p><i>Local</i></p>	10	4 hours per day – 15 days
<p><i>TSN 2505 “Advanced Management Skills”</i></p> <p>This program enhanced MCS D’s top managers’ skills to develop new techniques for efficient management to improve the use of resources and needs.</p>	<p><i>MCS D</i></p> <p><i>Local</i></p>	15	8 hours per day – 10 days
<p><i>TSN 2506 “Brokerage & Custodian Operations”</i></p> <p>MCS D staff members enhanced their knowledge of modern brokerage and custodian techniques to make use of new tools and systems.</p>	<p><i>MCS D</i></p> <p><i>Local</i></p>	10	4 hours per day – 4 days
<p><i>TSN 2482 “Mergers & Acquisitions”</i></p> <p>This program improved MCS D’s junior and mid-level staff’s understanding and knowledge in the field of mergers & acquisitions.</p>	<p><i>MCS D</i></p> <p><i>Local</i></p>	10	4 hours per day – 10 days

Course Title & Description (2002 Training Plan)	IP	# of Participants	Duration
<p><i>TSN 2508 “Capital Markets” (replaced with Research Analysts program)</i></p> <p>This overseas study tour aimed to provide a better understanding of capital markets and introduced new financial instruments to the marketplace.</p>	<p><i>ECMA</i></p> <p><i>Overseas</i></p>	4	8 hours per day – 14 days

D. Immediate Requests (Outside CMD 2002 Training Plan) - Completed

Course Title & Description (2002 Immediate Requests)	IP	# of Participants	Duration
<p><i>“Sixth Annual Conference of Central Securities Depositories”</i></p> <p>(CSD-6) & SIBOS Conference. Mature central depositories organize these conferences around specialized issues and topics. They are an update for mature depositories, but a learning experience for less mature ones.</p>	<p><i>MCSD</i></p> <p><i>Overseas</i></p>	1	8 hours per day – 4 days
<p><i>“Self Regulatory Organizations”</i></p> <p>The purpose of this OST was to see how the issue and concept of SROs are addressed by developed and emerging markets, and develop a better appreciation of how industry associations can be structured in relation to the roles and responsibilities SROs play.</p>	<p><i>ECMA</i></p> <p><i>Overseas</i></p>	3	8 hours per day – 14 days
<p><i>“EIMA Asset Management Certification Program”</i></p> <p>The portfolio/asset management industry aims to establish a professional certification program that will give professionals who work in the industry a “stamp of approval” for having passed technical and ethical standards. The program, which had industry specialists as instructors, ran for 6 months and was held after normal office hours.</p>	<p><i>EIMA</i></p> <p><i>Local</i></p>	25	6-month program
<p><i>“CBE IT Courses”</i></p> <p>These programs improved the skills of the CBE IT staff in Windows 2000, Microsoft Exchange Server, and CISCO.</p>	<p><i>CBE</i></p> <p><i>Local</i></p>	8	Ongoing
<p><i>TSN 2979 “Computer & Network Security Concepts”</i></p> <p>IT program, replacing Axent Firewall training.</p>	<p><i>MCSD</i></p> <p><i>Local</i></p>	7	8 hours per day –6 days
<p><i>“Two Brokerage Operations Workshop”</i></p> <p>An expatriate consultant gave local workshops.</p>	<p><i>ECMA</i></p> <p><i>Local</i></p>	40	8 hours per day –2 days

Course Title & Description (2002 Immediate Requests)	IP	# of Participants	Duration
<p><i>“Introduction to Database Concepts, Microsoft Access (1& 2)”</i></p> <p>One ECMA staff member attended this course.</p>	<p><i>ECMA</i></p> <p><i>Local</i></p>	1	3 hours per day – 12 days
<p><i>“Judges & Prosecutors Workshops”</i></p> <p>These local workshops were designed to train senior members of the judiciary on capital market legal issues. (Replacing the Primary Dealers & Auctions OST originally intended for the MOF.)</p>	<p><i>CMA</i></p> <p><i>Local</i></p>	40	6.5 hours per day –6 days
<p><i>“Primary Dealers I overseas study tour”</i></p> <p>Replaced 2 MOF overseas study tours on Debt Issuance.</p>	<p><i>MOF</i></p> <p><i>Overseas</i></p>	3	8 hours per day – 14 days

E. DT2 Program Descriptions (2003 Training Plan) – Completed and Ongoing

Course Title & Description (2003 Training Plan)	IP	# of Participants	Duration
<p><i>U850201 “Preparation for the Examination of the CIA Designation”</i></p> <p>This program prepared newly hired CASE internal auditors for the examination given by the Institute of Internal Auditors (IIA)—the international certification for professional internal auditors.</p>	<p><i>CASE</i></p> <p><i>Local- Completed</i></p>	4	4 hours per day – 40 days
<p><i>U850205 “Arbitration in Securities (organized by CASE)”</i></p> <p>This program helped the capital market players in Egypt and MENA region to cope with the ever-evolving requirements of the securities industry that necessitates the need to provide an efficient, speedy, cost-effective dispute settlement mechanism, such as arbitration.</p>	<p><i>CASE, lawyers, judges, practitioners in banking, accounting, insurance, investment and brokerage sectors.</i></p> <p><i>Local-Completed</i></p>	49	8 hours per day – 2 days
<p><i>U850206 “Judges and Prosecutors – 1st trip”</i></p> <p>This OST provided an advanced introduction to the legal structure underpinning the capital market in developed financial markets, with an emphasis on the practical application of these laws to the prosecution and adjudication of cases. The OST built on knowledge gained by the participants during workshops on capital market law and regulation conducted in April and June 2002.</p>	<p><i>CMA, Judges and Prosecutors</i></p> <p><i>Overseas- Completed</i></p>	18	7 hours per day – 15 days

Course Title & Description (2003 Training Plan)	IP	# of Participants	Duration
<p><i>U850213 “Judges and Prosecutors – 2nd trip”</i></p> <p>This OST provided an advanced introduction to the legal structure underpinning the capital market in developed financial markets, with an emphasis on the practical application of these laws to the prosecution and adjudication of cases. The OST built on knowledge gained by the participants during workshops on capital market law and regulation conducted in April and June 2002.</p>	<p><i>CMA, Judges and Prosecutors, and MCDR</i></p> <p><i>Overseas-Completed</i></p>	13	7 hours per day – 15 days
<p><i>U850207 “Future of Domestic Capital Market Conference”</i></p> <p>The World Bank Group, International Monetary Fund, and Brooking Institution organized this conference to discuss the future of domestic capital markets in relation to challenges created by globalization and technological changes.</p>	<p><i>CMA</i></p> <p><i>Overseas-Completed</i></p>	2	7 hours per day –4 days
<p><i>U850209 “SEC Institute Program”</i></p> <p>This program improved the surveillance techniques adopted by the CMA staff involved through modification of existing techniques and development of new ones.</p>	<p><i>CMA</i></p> <p><i>Overseas-Completed</i></p>	2	7 hours per day – 18 days
<p><i>U850209 “Sovereign Debt Management”</i></p> <p>This overseas tour assisted the Ministry of Finance’s Debt Management Unit to develop required skills for best practices sovereign debt management including asset and liability management and reducing or minimizing risk to the GOE.</p>	<p><i>MOF</i></p> <p><i>Overseas-Completed</i></p>	3	7 hours per day – 11 days
<p><i>U850211 “Central Securities Depositories Conference”</i></p> <p>This program discussed the core topics of central depositories’ business. Those included creation of a global capital market, regional linkages, latest international standards and regulatory practices, role of central securities depositories (national and international) in the retail market, competition, mutual funds, distribution between services offered by central securities depositories (national and international) and custodians, and corporate governance in protection customers.</p>	<p><i>MCDR</i></p> <p><i>Overseas-Completed</i></p>	2	7 hours per day –2 days

Course Title & Description (2003 Training Plan)	IP	# of Participants	Duration
<p><i>U850208 “Primary Dealers II OST”</i></p> <p>This OST was for Egyptian professionals charged with implementing and operating the new Egyptian system to interact with those who operate the U.S. system: the issuer of government securities, the issuer’s fiscal agent, the dealers, the regulators, and technology/information providers.</p>	<p><i>CBE and MOF</i></p> <p><i>Overseas-Completed</i></p>	4	7 hours per day – 10 days
<p><i>U850210 “Java Programming”</i></p> <p>This program trained CMA staff to develop and deploy Java language based solutions for business applications and web site enhancements.</p>	<p><i>CMA</i></p> <p><i>Local- Completed</i></p>	2	3 hours per day – 13 days
<p><i>U850203 “Fixed-Income Securities”</i></p> <p>This workshop enhanced the skills of the CMA Fixed-income Unit staff and equipped them with knowledge of all fixed-income securities and related products.</p>	<p><i>CMA</i></p> <p><i>Local- Completed</i></p>	6	8 hours per day –5 days
<p><i>U850202 “Microsoft Certified Systems Engineer (2000)”</i></p> <p>The purpose of this certification was to train IT staff in the design and implementation of business solutions based on the Microsoft Windows® 2000 platform and Microsoft .NET Enterprise Servers. Implementation responsibilities included installing, configuring, and troubleshooting network systems.</p>	<p><i>CMA</i></p> <p><i>Local- Completed</i></p>	2	4 hours per day – 66 days
<p><i>U850204 “Microsoft Certified Solution Developer for Microsoft.Net”</i></p> <p>The purpose of this certification was to train IT staff in the design and implementation of business solutions based on the Microsoft Windows® 2000 platform and Microsoft .NET Enterprise Servers, and develop technical proficiency and expertise in developing and maintaining enterprise applications that are based on Microsoft development tools, technologies, and platforms.</p>	<p><i>CMA</i></p> <p><i>Local-Ongoing</i></p>	3	4 hours per day – 68 days

F. Immediate Requests (Outside CMD 2003 Training Plan) – Completed and Pending

Course Title & Description (2003 Immediate Requests)	IP	# of Participants	Duration
<p>“Securitization Course”</p> <p>The course, provided by the Arab Academy for Banking & Financial Sciences, was on securitization and the certificate was issued in conjunction with the American Banking Association.</p>	<p>CMA</p> <p>Local- Completed</p>	1	4.5 hours per day –5 days
<p>“Securitization And Future Challenges (Organized by EYBA)”</p> <p>This conference helped participants to understand the mechanics of securitization and its application in Egypt. The conference was organized by EYBA and CMD provided logistical assistance.</p>	<p>EYBA</p> <p>Local- Completed</p>	350	8 hours per day –2 days
<p>“Workshops on Primary Dealers System”</p> <p>Two workshops (2 days each) were held on the primary dealers system for regulators and bond market participants. It assisted participants to better understand how to fulfill their regulatory, institutional, financial, and operational requirements as primary dealers and regulators thereof.</p>	<p>CMA, CASE, MCDR, CBE, MOF, and bond market participants</p> <p>Local- Completed</p>	39 regulators and 26 bond market participants	8 hours per day –4 days
<p>“Press Forum for Journalists”</p> <p>This press forum presented the primary dealers system followed by a question & answer session. The forum aimed to help the public understand the role of primary dealers in creating an active government debt securities market and the role of such a market in the financial field and in the economy.</p>	<p>CMA and press</p> <p>Local- Pending</p>	70	4 hours per day –1 days

G. AUC-CACE English Language Training (1999-2003) - All Programs Complete

Course Title & Description (1999-2003 courses)	IP	# of Participants	Duration
<p><i>“English Language Training Courses”</i></p> <p>These AUC-CACE courses are aimed to enhance the English language skills of staff members at the respective institutions.</p>	<p><i>CMA, CASE, CBE, ECMA, MCSD</i></p> <p><i>Local</i></p>	<p>240</p>	<p>3 hours per day - 495 days</p>

II. Non-DT2 Training Programs

This section summarizes the programs, such as workshops and on-the-job training, conducted by CMD for its various institutional partners from the project's inception in 1998 through the last quarter of 2003. These programs are specifically tailored toward achieving CMD's primary contractual objectives, and almost all were implemented in the context of larger efforts, such as the development of the primary dealer system or the creation of the Settlement Guarantee Fund. These programs complement and extend formal training efforts conducted through DT2.

To date, CMD has conducted 148 specialized training programs for its institutional partners with a total of 3,826 attendees and 30,781 person hours. These efforts are summarized in the following table.

Summary of Non-DT2 Training: 1999-2003

	Programs	Attendees¹	Person-Hours
2003 Total	34	1802	7519.5
2002 Total	30	624	5,669.5
2001 Total	38	529	7,354
2000 Total	31	485	5,238
1999 Total	15	386	5,000
Life-of-Project	148	3,826	30,781

¹ "Attendees" includes only participants from our partner institutions and market participants. It does not include CMD staff members who attended the training sessions nor does it include USAID representatives.

Non-DT2 Training Programs: 1999

	Title & Description	Duration	Attendees	Person-Hours
First Quarter 1999	<i>Surveillance:</i> CMD conducted discussion workshops with CMA surveillance staff—major topics were the resources currently available at the CMA, problems accessing customer information, research techniques, and ultimate resolution of discoveries.	4 sessions, 2 hours per session	15	120
	<i>Corporate Finance:</i> CMD COP Barry Gray and senior financial advisor Manal Shalaby provided on-the-job technical assistance and training workshops to the CMA Corporate Finance Department. Several work papers were prepared for the benefit of the department, including reports on intangible assets and goodwill, discount rates, and stock market indices. The workshops covered credit ratings and bond pricing.	18 sessions, 3 hours per session	15	810
	<i>Public Awareness:</i> CMD conducted a 2-day seminar on “The Information and Public Relations Roles of Capital Market Institutions.” Staff from the CMA, CASE, MCSD, CBE, ECMA, and EIMA attended. The seminar was intended to solidify the relationship between CMD and communications staff at partner institutions. Although attendees perform identical or similar functions at market institutions in Egypt, it was the first time most staff from different institutions had met one another. The evaluations were very positive.	2 sessions, 8 hours per session	27	432
1st Quarter 1999 Totals			57	1362

	Title & Description	Duration	Attendees	Person-Hours
Second Quarter 1999	<i>Settlement Guarantee Fund:</i> CMD conducted two MCSD-led workshops with market participants, brokers, bookkeepers, and depository banks on the SGF rules. Arabic and English copies of those rules were distributed to the participants, and they were asked to give their comments.	2 sessions, 3 hours per session	20	120
	<i>CMA Staff Forum:</i> CMD sponsored the first CMA Staff Forum. Alfred J. Finch, FBI Legal Attaché at the US Embassy, discussed fraud in the securities market and showed a video entitled “A Meeting of Minds” on the prevention of fraud.	1 session, 4 hours	37	148
	<i>S&P Workshops:</i> S&P advisors Alan Samuels and Michael Petit conducted workshops on “The Survey of Regulations Pertaining to Credit Ratings and Rating Agencies.” Two workshops were for CMA staff members and one for industry participants.	3 sessions, 4 hours per session	25	300
	<i>Government Securities Workshop:</i> CMD financial advisors conducted a CBE workshop introducing trading in government securities. The objective of the workshop was to inform market participants about the concept of a primary dealer system, government bond issuance, and Central Bank monitoring. Handouts were distributed.	1 session, 4 hours per session	24	96
2nd Quarter 1999 totals			106	664
Third Quarter 1999	<i>Swaps Workshops:</i> CMD advisor John Noonan conducted 5 workshops on swaps for the CMA corporate finance staff.	5 sessions, 2 hours per session	15	150

Title & Description	Duration	Attendees	Person-Hours	
<i>Valuation Workshops:</i> CMD senior financial advisor Manal Shalaby held valuation workshops for the CMA staff, which specifically focused on computations related to revenues and operating costs, various methods of computing residual value, and examples of accounting errors on financial statements filed with the CMA.	7 sessions, 2 hours per session	15	210	
<i>ECMA Training of Trainers:</i> CMD Short-term advisor Michael Gorham trained ECMA trainers.	4 sessions, 4 hours per session	17	272	
<i>Legal Workshops:</i> CMD short-term advisor Richard Smith conducted 4 workshops on the legal regime for securities ownership and transfer. CMD prepared position papers for the workshop and distributed background information. Representatives from the MOE, CBE, ECMA, CASE, MCSD, and Citibank attended. The participants agreed that Egypt needs to address gaps in the laws governing the transfer of securities, speed the transfer of securities ownership, and establish fines to protect owners who act in good faith. These changes will add greater predictability, transparency, and stability to the market's legal infrastructure.	4 sessions, 3 hours per session	28	336	
3rd Quarter 1999 Totals		75	968	
Fourth Quarter 1999	<i>S&P Workshops:</i> CMD subcontractor, Standard & Poor's, advisors delivered four workshops on "Independent Credit Ratings: the Needs and Demands of the Egyptian Market." The workshops outlined the results of their survey conducted on the Egyptian market in the third quarter.	4 sessions, 4 hours per session	60	960

Title & Description	Duration	Attendees	Person-Hours	
<i>MCSD Train the Trainers:</i> Short-term advisor Jane Petit conducted “train-the-trainer” workshops. She delivered 6 workshops focusing on presentation skills and materials, and on audio-visual training techniques. CMD devised an English-language test for MCSD employees who were likely to be selected as trainers.	6 sessions, 4 hours per session	10	240	
<i>Bond Trading Seminar:</i> CMD, in conjunction with US Treasury advisor Keith Krchak, presented a senior-level seminar for managers of brokerages, trading banks, and various government agencies, including the CBE. Dealer trading in bonds was covered, as well as actual trading and the structure and operation of trading firms.	1 session, 3 hours per session	34	102	
<i>Fixed Income Securities:</i> CMD and the U.S. Treasury’s Office of Technical Assistance jointly conducted advanced workshops on sales and trading of fixed-income securities for participants drawn from potential traders, accountants, and regulators.	4 sessions, 4 hours per session	44	704	
4th Quarter 1999 Totals		148	2,006	
1999 Totals		386	5,000	
First Quarter 2000	<i>Credit-Risk Analysis Course and Roundtable,</i> conducted by subcontractor Standard & Poor’s. Participants were from the CMA, CASE, and the securities industry. Following the course, CMD hosted a roundtable on issues and problems facing the credit rating industry in Egypt. Representative of rating agencies working in Egypt, Standard & Poor’s, the securities industry, and the CMA attended.	5 sessions, 3 hours per session	20	300

Title & Description	Duration	Attendees	Person-Hours
<i>Securities Lending and Borrowing Kick-off Workshop</i> , conducted with short-term advisor Charles Rubin. Participants included MCSD and market representatives.	1 session, 4 hours	20	80
<i>Introduction to World Wide Web (WWW) Technologies Seminar</i> , conducted by CMD advisor Casey Wolfe. Provided instruction in basic web technologies (website development and maintenance) for MOE and CMA staff members.	1 session, 3 hours	10	30
<i>Book-Entry Registry Workshop (1)</i> , conducted by CMD long-term advisors. Workshop for CBE managers and line people on the implementation of the book-entry registry.	1 session, 4 hours	30	120
<i>Book-Entry Registry Workshop (2)</i> , conducted by CMD long-term advisors. Additional workshops for groups involved in development of the book-entry registry. Sessions designed to develop consensus on characteristics and desirability of registry.	5 sessions, 3 hours per session	10	150
<i>Money Market Workshop</i> , conducted by CMD long-term advisor. The workshop's five sessions were designed to teach the basic principles of money markets and money market instruments in order to prepare the CMA for the introduction of dealer-based trading and the new regulatory responsibilities it will bring. Participants were drawn from the following CMA departments: Corporate Finance & Mutual Funds, Surveillance, Accounting & Financial Analysis, Economic Research, and the Technical Office.	5 sessions, 4 hours per session	14	280

Title & Description	Duration	Attendees	Person-Hours	
<i>Financial Disclosure Workshop</i> , conducted by short-term advisor Tony Sondhi. A 1-day session for participants from the CMA Accounting and Financial Analysis Sector that covered consolidated financial statements, mergers and acquisitions, translation of financial statements in foreign currencies, cash flow statements, auditing reports, and sanctions for non-compliance with disclosure requirements.	1 session, 8 hours (full day)	10	80	
<i>Bankruptcy Law and the Capital Market</i> , conducted by short-term advisor Marc Albert. Participants were drawn from MCSD, the MOE, private law firms, and private banks. The workshop enabled participants to compare current provisions in Egyptian law with international standards—specifically with American legislation—in order to identify areas where improvement was needed. The workshop was a first step in outlining provisions necessary to reduce legal risk in the Egyptian clearing and settlement system.	1 session, 8 hours (full day)	17	136	
1st Quarter 2000 Totals		131	1,176	
Second Quarter 2000	<i>Electronic Filing and Retrieval System (1)</i> : Short-term advisor Sylvia Reis conducted a workshop for the CMA Chairman and his senior staff on building a system for filing and retrieving corporate information.	1 session, 3 hours	10	30

Title & Description	Duration	Attendees	Person-Hours
<i>Electronic Filing and Retrieval System (2):</i> Short-term advisor Sylvia Reis conducted a workshop on electronic filing and retrieval for the CMA Deputy Chairman, department heads, and members of the senior management. During the workshop, Reis presented the basic characteristics and capabilities of corporate information systems, and began discussing the requirements for such a system in Egypt.	1 session, 3 hours	12	36
<i>Consolidated Financial Statements:</i> CMD's long-term advisors conducted two sessions on how to consolidate and read financial statements received from issuers. Participants were drawn from the following departments: corporate finance and mutual funds, accounting and financial analysis, establishment of joint-venture companies, and international capital markets.	2 sessions, 2 hours per session	19	76
<i>Securities Lending & Borrowing:</i> Short-term advisor Charles Rubin conducted a second workshop for MCSD and market participants on the specifications of a securities lending and borrowing services.	1 session, 3 hours	20	60
<i>Securities Lending & Borrowing:</i> Short-term advisor Charles Rubin conducted a workshop to familiarize MCSD's IT staff with the technical requirements of the securities lending and borrowing service.	1 session, 3 hours	10	30
<i>Money Market Workshop Series:</i> CMD's long-term money and bond markets advisor and U.S. Treasury Advisor Keith Krchak conducted this series of workshops for the CBE. They covered a wide range of new financial instruments and the policy changes that would be necessary to facilitate their introduction in Egypt.	5 sessions, 2 hours per session	15	150

Title & Description	Duration	Attendees	Person-Hours	
<i>Journalist Training:</i> CMD and the CMA held a course on financial and capital markets for financial journalists, conducted by the Arab Academy for Science and Technology. The course was held every Sunday and Wednesday for 6 weeks.	12 sessions, 3 hours per session	30	1,080	
<i>Advanced Training of Trainers:</i> Short-term advisor Jane Pettit conducted an advanced training-of-trainers workshops for MCSD staff members.	10 sessions, 8 hours per session (full day)	6	480	
<i>Bond Trading Workshops:</i> CMD conducted additional workshop sessions on bond trading for the CMA staff. The workshop was designed to increase the CMA's understanding of bond trading, including portfolio management, restructuring portfolios, and profitability considerations of bond dealers and market makers.	2 sessions, 3 hours per session	17	102	
<i>MCSD Training Manual:</i> CMD short-term advisor Ms. Pam Reardon delivered a series of workshops for MCSD managers and staff on the implementation of the training manual and establishment of a fully functioning training department.	3 sessions, 2 hours	15	90	
2nd Quarter 2000 totals		154	2,134	
Third Quarter 2000	<i>Trading Corporate Bonds:</i> CMD's Money and Bond Markets Advisor John Noonan conducted six sessions of a bond market workshop for the CMA staff, focusing on secondary trading in bonds and benefits of dealer market-making. Participants attended from the following departments: Corporate Finance, Research and Development, International Relations, and Accounting and Financial.	6 sessions, 3 hours per session	10	180

Title & Description	Duration	Attendees	Person-Hours
<i>MCSD Budgeting Manual:</i> This training program was delivered by CMD subcontractor Zarrouk & Khaled and given to executives, board members, mid-level managers, and finance department staff.	1 session, 3 hours	20	60
<i>MCSD Training Manual:</i> CMD short-term advisor Pam Reardon conducted a series of workshops for MCSD managers and staff on the implementation of the training manual. The workshops and manuals provided the basic principles necessary for MCSD to establish a fully functioning training department.	4 sessions, 2 hours per session	15	120
<i>Cross Border Clearing & Settlement:</i> CMD short-term advisor Charles Rubin conducted presentations for MCSD staff on the relationship between an ex-dividend date, record date, and settlement date, and on a system to clear and settle cross border trades in the Middle East.	2 sessions, 3 hours per session	10	60
<i>Primary Dealer System:</i> CMD long-term advisor John Noonan and US Treasury Advisor Keith Krchak delivered a presentation on “The Primary Dealer System” to the sub-governors of the CBE. The presentation covered the development of a primary dealer system, and the roles of the MOF, CBE, primary dealers, and the investment community.	1 session, 3 hours	10	30
<i>Debt Management Workshops:</i> CMD long-term advisor John Noonan and US Treasury Advisor Keith Krchak conducted ongoing workshops to assist the two new debt management advisors to the Minister of Finance. The workshops address debt management and the primary dealers system.	10 sessions, 2 hours per session	2	40

	Title & Description	Duration	Attendees	Person-Hours
	<i>Bond and Money Markets:</i> CMD long-term advisor John Noonan delivered presentations to portfolio managers and regulators on “Bond and Money Markets,” at two workshops sponsored by the USAID-funded TAPR Pension project.	2 sessions, 2 hours per session	20	80
	3rd Quarter 2000 Totals		87	570
Fourth Quarter 2000	<i>Securities Lending & Borrowing:</i> MCS D and CMD short-term advisor Charles Rubin held a workshop on securities lending and borrowing to provide industry representatives with a status update and the features of the proposed service, which is mandated under the new Central Securities Depository and Registry Law.	1 session, 3 hours	20	60
	<i>Bond Markets:</i> CMD long-term money and bond markets advisor John Noonan delivered the remaining two presentations to portfolio managers and regulators at a workshop on “Investment Opportunities in Egyptian Money and Bond Markets.”	2 sessions, 2 hours per session	20	80
	<i>Debt Management:</i> CMD and U.S. Treasury advisors conducted on-the-job training for the Ministry of Finance debt management team on the goals and methods of managing the Government of Egypt’s debt portfolio.	24 sessions (twice weekly), 2 hours per session	2	96
	<i>Book Entry Registry:</i> CMD long-term database administrator Yasser El Alaily conducted a series of six workshops for CBE staff on the “Fundamentals of Database Systems.” These sessions supported the implementation of the book-entry registry.	6 sessions, 2 hours per session	10	120

	Title & Description	Duration	Attendees	Person-Hours
	<i>Training of Trainers:</i> CMD short-term advisor Jane Pettit conducted “Training of Trainers” workshops at MCSD. The 2-week training taught MCSD staff members how to identify the audiences for whom materials are developed, target presentations to those audiences, and distinguish services and benefits.	10 sessions, 3 hours per session	15	450
	<i>MCSD Budgeting Manual:</i> CMD and subcontractor Zarrouk, Khaled, & Co. delivered a series of training sessions on the budgeting manual to MCSD mid-level managers.	3 sessions, 4 hours per session	46	552
	4th Quarter 2000 Totals		113	1,358
	2000 Totals		485	5,238
First Quarter 2001	<i>MCSD Budgeting:</i> CMD Senior Financial Advisor Ahmed Hussein and subcontractor Zarrouk, Khaled, & Co. conducted on-the-job training for the MCSD budgeting committees on reviewing budget estimates by individual departments for general and capital expenditures.	2 session, 4 hours per session	8	64
	<i>MCSD Budgeting:</i> CMD and Zarrouk, Khaled & Co. representatives conducted on-the-job training for the MCSD Revenue Budget Committee on estimating revenue drivers for 2001 and on-the-job training for the MCSD Budget Committee on reallocating the cost of service centers to operational centers and to charge total operating costs to service units.	2 sessions, 4 hours per session	8	64

	Title & Description	Duration	Attendees	Person-Hours
	<i>Services of US Transfer Agents:</i> CMD short-term advisor Richard Smith delivered a presentation to MCSD management on the services performed by a US transfer agent.	1 session, 2 hours	15	30
	<i>Securities Lending & Borrowing:</i> Charles Rubin, short-term securities lending and borrowing advisor, assisted the MCSD's IT Department staff with programming of the Securities Lending and Borrowing (SLB) Service.	7 sessions, 4 hours per session	6	144
	<i>MOF Debt Management:</i> On-the-job training for the Debt Management Department at the CBE	78 sessions; 3.5 hours per session	3	819
	1st Quarter 2001 Totals		60	1,201
Second Quarter 2001	<i>Financial Journalism Workshop:</i> Mike Fowler (coordinator) and Susan Postlewaite (senior facilitator), both CMD short-term advisors, conducted 12 sessions over 6 weeks of the Financial Journalism Workshop. The workshop also included 2 special sessions on using the Internet.	12 sessions, 4 hours per session	15	720
	<i>MCSD Training of Trainers:</i> Short-term advisor Jane Pettit conducted advanced workshops for MCSD trainers.	5 sessions, 4 hours per session	10	200

Title & Description	Duration	Attendees	Person-Hours
<p><i>Securitization Workshop:</i> CMA Deputy Chairman Ashraf Shamseldin, CMA National Experts, Kheir Eldin, head of CMA market operations sector, and Mervat Tawfik of USAID attended a two-part workshop on securitization given by CMD COP Barry Gray. The first part covered mortgage-backed securities, and part two covered mortgage pass-throughs. These sessions were designed to prepare for the implementation of the Mortgage Law and the introduction of trading in mortgage-backed securities.</p>	2 sessions, 2 hours per session	7	28
<p><i>Broker Compliance and Inspection:</i> The CMA Deputy Chairman Ashraf Shamseldin and the CMA National Experts participated in a presentation on broker compliance and inspection given by CMD short-term advisor Charles Rubin. The main topics were broker compliance from the regulator's standpoint, how to ensure brokers comply via the creation of viable internal policies and procedures, and enforcing such rules and regulations for those who do not comply. CMA attendees emphasized the need to develop a procedures manual for CMA inspectors to use when making field inspections.</p>	1 session, 4 hours	10	40
<p><i>CBE IT Training:</i> CMD database administrator Yasser El Alaily conducted on-the-job training for the CBE IT Department. El Alaily assisted the IT staff who attended Oracle training sponsored by CMD funded through DT2.</p>	36 sessions, 4 hours per session	10	1,440
<p><i>Training of Debt Management Department:</i> CMD long-term advisor John Noonan conducted on-the-job training for members of the MOF Debt Management Department on legal aspects of bond issuance, as well as terms and analysis of terms and conditions of bond offerings.</p>	36 sessions, 4 hours per session	3	432

Title & Description	Duration	Attendees	Person-Hours
<i>Bond Clearance and Settlement:</i> CMD DCOP François Pépin and Money and Bond Markets Advisor John Noonan gave a presentation and seminar to senior members of various departments of the MOF on the settlement and clearance, custody, and depository aspects of eurobonds.	1 session, 2 hours	10	20
<i>Debt Management:</i> USAID/CMD cosponsored workshops on debt management and debt market development. The WB, IMF, CMD, and U.S. Treasury’s Department of Technical Assistance planned these seminars, at the request of the MOF. Attending were representatives of the CBE, CMA, MOF, Egyptian Dealers Association, private banks, broker-dealers, and USAID. Sessions covered debt management with subsections on risk management, legal and organizational frameworks, operations management, and the modification of debt structure based on risk assessment. Further topics covered were the development of money markets, building capacity for government cash management, supply of government securities, primary and secondary market development, and the development of an investor base.	3 sessions, 4 hours per session	25	300
<i>Operational Procedures Writing Workshop:</i> CMD short-term advisor Samer Badawi and the MCS D participants discussed the importance of procedures — in terms of institution-building and transparency — and used brainstorming techniques to create a detailed “map” of their work at MCS D, listing as many tasks as possible. MCS D staff will thereafter begin drafting procedures.	2 sessions, 4 hours per session	15	120

	Title & Description	Duration	Attendees	Person-Hours
	<i>Market Instruments Seminar:</i> CMD's Money and Bond Markets Advisor John Noonan delivered a presentation to the CMA National Experts and CMA senior staff on various money market instruments for the government and corporate markets. Noonan specifically discussed bills and bonds, negotiable certificates of deposit, commercial paper, banker's acceptances, repurchase agreements, and swap transactions.	2 sessions, 4 hours per session	10	80
	<i>Mergers & Acquisitions:</i> CMD Securities Industry Advisor Jun Labadan conducted a roundtable on Mergers & Acquisitions and share swaps. The discussion focused on the role of the regulator in issue situations, the protection of minority shareholders, and valuation issues.	1 session, 4 hours	10	40
	<i>Private Placements:</i> CMD COP Barry Gray and Securities Industry Advisor Jun Labadan conducted a workshop on private placements for the CMA national experts, Deputy Chairman Ashraf Shamseldin, and senior staff member Nehad Kandil.	1 session, 2 hours	5	10
	2nd Quarter 2001 Totals		130	3,312
Third Quarter 2001	<i>Computer Systems Documentation Workshop:</i> CMD Senior Systems Analyst Ibrahim Sabri conducted 12 sessions for MCSD participants, teaching them how to develop standard documentation of MCSD's computer systems.	12 sessions, 2 hours per session	10	240
	<i>ECMA Forum on Investor Relations:</i> CMD short-term advisor Chris Colford (from subcontractor Hill & Knowlton) led a forum for ECMA members on the importance of investor relations in publicly traded companies. The presentation emphasized the long-term benefits of information disclosure.	1 session, 4 hours	30	120

Title & Description	Duration	Attendees	Person-Hours
<i>Bond Pricing Roundtable:</i> CMD Money and Bond Markets Advisor John Noonan delivered a presentation to the CMA National Experts on the pricing of bonds.	1 session, 2 hours	5	10
<i>Primary Dealer Roundtable:</i> CMD Money and Bond Markets Advisor John Noonan conducted a roundtable for the CMA national experts on primary dealers. Noonan focused on the pricing of bills and bonds by free market auctions as a necessary component to establishing a yield curve and active secondary trading.	1 session, 2 hours	5	10
<i>MCSD Registry Service:</i> Representative from CMD's subcontractor Mellon Consulting conducted a presentation on the central registry service and important considerations in its development. The other presentation was on best practices and means to design an efficient registry system.	2 sessions, 2 hours per session	35	140
<i>Primary Dealer Roundtable:</i> CMD Money and Bond Markets Advisor John Noonan and CMD COP Barry Gray conducted a roundtable on the primary dealer system and the obligations of primary dealers to public-sector banks.	2 sessions, 2 hours per session	14	56
<i>Mergers & Acquisitions:</i> CMD Securities Industry Advisor Jun Labadan delivered a presentation on U.S. regulations governing tender offers and mergers and acquisitions to the CMA national experts.	1 session, 2 hours	2	4
<i>MCSD Internal Audit:</i> CMD subcontractor Zarrouk, Khaled, and Co. conducted on-the-job training for MCSD internal auditors on financial and administrative audits.	12 sessions, 2 hours/each	5	120

	Title & Description	Duration	Attendees	Person-Hours
	<i>Primary Dealer Training:</i> CMD's Money and Bond Markets advisor John Noonan conducted a third roundtable on the executive regulations of the primary dealer decree for representatives of state banks.	1 session, 3 hours	17	51
	<i>Primary Dealers:</i> CMD's Money and Bond Markets advisor John Noonan delivered a presentation to Banque du Caire staff on the primary dealer system.	1 session, 4 hours	38	152
	<i>Technical Writing Training:</i> CMD's short-term advisor Samer Badawi gave a workshop to MCS D employees on technical writing, specifically on external operational procedures.	4 sessions, 4 hours per session	15	240
	3rd Quarter 2001 Totals		176	1,143
Fourth Quarter 2001	<i>Internet Training:</i> The CMA and CMD planned and conducted two workshops for financial journalists on the investigative use of the Internet. Fifteen journalists, including two representatives from Egyptian radio, attended.	2 sessions, 3 hours per session	15	75
	<i>CBE workshop:</i> CMD Money & Bond Markets Advisor John Noonan provided a 1-day workshop on the functions and activities of central banks.	1 session, 6.5 hours	4	26
	<i>CBE Book-entry Registry:</i> CMD conducted three roundtables on the functions and purpose of the CBE book-entry registry.	3 sessions, 3 hours per session	30	270

Title & Description	Duration	Attendees	Person-Hours
<i>Communications Workshop:</i> CMD short-term advisor Chris Colford conducted a workshop on communications and media relations for the members of the CMA communications team. It covered the roles and responsibilities of communications team members and spokespersons.	1 session, 3 hours	2	6
<i>Media Relations:</i> CMD short-term advisor Chris Colford, conducted a workshop for MCSD communications team members on media relations, communications strategies, messaging, and press releases.	1 session, 4 hours	4	16
<i>Communications & Public Relations:</i> Communications and Media Relations Advisor Iman El-Sherif and Publications Director Garrett Dorer conducted an initial workshop for newly appointed members of the CMA communications team.	1 sessions, 2 hours	2	4
<i>MCSD On-line Certification:</i> CMD long-term advisors John Noonan and Jun Labadan alternately conducted training sessions for the five MCSD staff members enrolled in the Illinois Institute of Technology (IIT) Internet-based certification program.	6 sessions, 4 hours per session	5	120
<i>Book-Entry Registry:</i> CMD long-term senior systems analyst Shahira Habib—with the support of CMD long-term advisors, the CBE Securities Department, and the Bank Control Department—presented the book-entry registry in detail to eight of the most active banks dealing in T-bills.	3 sessions, 3 hours per session	26	234

	Title & Description	Duration	Attendees	Person-Hours
	<i>Primary Dealer Training:</i> Money and Bond Markets Advisor John Noonan assisted U.S. Treasury Advisor Keith Krchak with workshops and a seminar for market participants at the Ministry of Finance Tax Training Center.	5 session, 4 hours per session	42	840
	<i>CMA-CMD Roundtables:</i> The CMA national experts, CMA Deputy Chairman Ashraf Shamseldin, Senior Staff Member Nehad Kandil, and other senior staff members conducted regular sessions with CMD's senior technical staff on a wide range of topics.	2 sessions, 2 hours per session	8	32
	<i>ECMA Forum:</i> CMD short-term advisor Christopher Colford, from subcontractor Hill & Knowlton, conducted an ECMA Forum on disclosure by listed companies.	1 session, 3 hours	25	75
	4th Quarter 2001 Totals		163	1,698
	2001 Totals		529	7,354
First Quarter 2002	<i>Communications Workshops.</i> Communications and Media Relations Advisor Iman El-Sherif and Publications Director Garrett Dorer conducted five workshops for two new members of the CMA communications team.	3 sessions, 2 hours/each	2	12
	<i>Surveillance.</i> Short-term advisor Alan Rosenberg conducted workshops, one for the surveillance staff of the CMA and one for the surveillance staff of CASE, in order to prepare them for the surveillance study tours held in February 2002. The workshops covered what to expect from the tours, recommended reading, and suggested discussion topics.	2 session, 2 hours/each	18	72

	Title & Description	Duration	Attendees	Person-Hours
	<i>MCSD Training:</i> Short-term Advisor Pamela Reardon conducted a series of meetings and workshops for the MCSD training committee on the implementation of the Training Manual developed previously.	4 sessions, 3 hours	4	48
	<i>Securitization:</i> CMD Bond Advisor Barry Gray and Chief of Party François-J. Pépin conducted a roundtable on securitization for the CMA. The session started the development of an action plan for the regulatory steps necessary to introduce mortgage-backed and asset-backed securities into the Egyptian market.	1 session, 3 hours	7	21
	Total—First Quarter 2002		31	153
Second Quarter 2002	<i>Judges & Prosecutors Workshop II.</i> CMD short-term Legal Advisor Paul Gonson held a 3-day workshop for judges and prosecutors. It was conducted at the National Center for Judicial Studies and partially funded through the DT2 project. CMD Senior Legal Advisor Ziad Bahaa El Din moderated the sessions. Gonson provided an overview of the U.S. legal system as this relates to securities markets, and then led sessions focusing on disclosure, insider trading, and price manipulation, which included case studies. The discussion was lively throughout the workshop and feedback from the participants and the CMA was very positive. After the workshop, Gonson conducted a roundtable discussion for the CMA Chairman, national experts, and senior managers at the CMA. Gonson is a former lead appellate attorney for the U.S. Securities and Exchange Commission.	6 sessions, 2 hours/each	45	540

Title & Description	Duration	Attendees	Person-Hours
<p><i>Inspection Procedures Manuals and Orientation:</i> CMD Short-term Advisor Alan Rosenberg conducted a 2-day workshop for CMA staff members on “How to Conduct an Inspection.” Translation was provided by the CMD project. The workshop covered:</p> <ul style="list-style-type: none"> ▪ An overview of brokerage companies’ inspection processes ▪ Preparation and planning ▪ General inspection procedures ▪ Oversight ▪ Financial matters ▪ Relations with customers ▪ Investment funds ▪ Computer systems ▪ Common abuses ▪ Review of capital structures, dividend payments, and investment activities ▪ Management companies ▪ Independent auditors 	4 sessions, 2.5 hours/ each	23	230
<p><i>Securitization of Assets.</i> Elein Weis, an advisor from the USAID-funded TAPR project, conducted roundtable discussions on securitization for CMA Head of Market Operations Ahmed Saad, National Expert Hazem Yassen, and CMD Senior Financial Advisor Yasser M. Hassan, utilizing her detailed matrix of legal, financial, and operational pre-conditions and issues. She based the sessions around an outline of issues and preconditions affecting the introduction of securitization, for both assets and mortgages, into the Egyptian market. Weis’s outline included alternative solutions for each issue.</p>	3 sessions, 2 hours/ each	3	18

	Title & Description	Duration	Attendees	Person-Hours
	<i>Asset Management Workshops.</i> Short-term Advisor James Hollis arrived in Cairo to assist with the finalization of the Egyptian Investment Performance Standard (EIPS). Hollis conducted two workshops on asset management for EIMA members.	2 sessions, 2 hours/ each	25	100
Total—Second Quarter 2002			96	888
Third Quarter 2002	<i>MCSD Central Registry.</i> Mellon team conducted on-the-job training and formal workshops. The training included sessions on proxies, dividends, and corporate actions.	4 sessions, 7 hours each	15	420
	<i>MCSD Central Registry.</i> Mellon team conducted on-the-job training in other operations of transfer agents. This included sessions on account administration, mailing service, and transfer and issuance.	5 sessions, 7 hours each	15	525
	<i>Primary Dealers.</i> U.S Treasury Advisor Keith Krchak, Head of the Department of Primary Dealers and Auctions Mohammed Assaad, and CMD Financial Advisor Amr Tabbakh conducted two workshops for 10 participants from the CBE Bank Control Department. The workshops covered the decree and executive regulations for the primary dealer system and the method of calculating minimum participation levels by primary dealers in auctions for Treasury bills.	2 sessions, 2 hours each	10	40
	<i>IT Training Courses.</i> One of two CMD-funded IT training courses for CMA staff members in Microsoft Exchange 2000.	10 sessions, 4 hours each	2	80

Title & Description	Duration	Attendees	Person-Hours
<p><i>Primary Dealer System.</i> Roundtable discussions took place between Head of the Department of Primary Dealers and Auctions Mohammed Assaad, Financial Advisor Amr Tabbakh, and eight participants from the CBE Bank Control Department and Securities Department. The discussions involved the primary dealer decree and executive regulations. One of the issues raised concerned the legality of trading T-bonds over the counter (OTC) and whether this violates provisions of the Capital Market Law. Another issue concerned the benefits and obligations of primary dealers. A follow up session was conducted.</p>	2 sessions, 2 hours each	8	32
<p><i>MCSD Central Registry.</i> The Mellon team conducted five workshops on internal auditing and risk management for transfer agents. This is part of their assistance to MCSD with the establishment of a Central Registry Service. Mellon delivered outlines of procedures for the service and conducted on-the-job training for approximately 18 staff members from MCSD, which included middle managers and the entire Internal Audit Department. Those trained started documenting selected operations based on the outlines.</p>	5 sessions, 7 hours each	18	630

	Title & Description	Duration	Attendees	Person-Hours
	<i>International Financial Services Center.</i> With the assistance of the CMD and the Chemonics home-office team, Head of International Relations Osama El Ansari, and a representative from the Ministry of Foreign Trade traveled to Ireland where they observed the work of the International Financial Services Center. This visit was part of preliminary efforts to establish a similar center in Egypt. The CMA Chairman traveled with the two participants. CMD will assist with the planning stage of this process during the coming year.	4 sessions, 8 hours each	2	64
	Total—Third Quarter 2002		70	1,791
Fourth Quarter 2002	<i>Book Entry for T-Bills.</i> A workshop was conducted with the CBE Bank Control and Securities Departments to discuss the conversion of T-bill registration from issue date to maturity date of the bill. Participants from both departments attended this workshop. They also prepared and presented a memo to the CBE Governor with the recommendation for this change.	1 session, 2 hours	12	24
	<i>Workshop on Margin Trading.</i> Upon the request of the CMA Chairman, CMD sponsored a workshop on margin trading under the auspices of ECMA. H.E. the Minister of Foreign Trade, the CMA, CASE and ECMA chairmen, and approximately 150 participants attended the workshop. At the workshop, the CMA Chairman delivered his presentation. The workshop served as an introduction to the regulations issued for margin trading and net capital. Once those regulations are in effect, several companies will apply to the CMA to be licensed to perform margin-trading operations.	1 session, 4 hours	150	600

Title & Description	Duration	Attendees	Person-Hours
<i>Document Archiving and Retrieval.</i> A presentation on electronic data gathering and retrieving was prepared by the CMD team and presented to the CMA Chairman and his staff. The presentation raised several issues: the objectives of the EDGAR-like system, the automation requirements of the Legal Affairs Department, financial statements, daily news on market performance, a system committee, and the CMA website	1 session, 2 hours	10	20
<i>Central Registry Service.</i> CMD subcontractor Mellon Investor Services' advisor Ron Powell conducted five workshops on procedures writing methodology.	5 sessions, 8 hours	15	600
<i>CMA Communication Team.</i> With the assistance of CMD a workshop on publications was conducted for the CMA communication team. This included visits to designers and printing houses. The participants became acquainted with the whole publications process, which included design, color separation, printing, and binding.	5 sessions, 2 hours	4	40
<i>Debt Management.</i> CMD arranged for the Head of the Ministry of Finance Debt Management Department, Ghada Mustafa, to attend a "Risk Modeling Training" course at the World Bank in Washington, DC. CMD funded Mustafa's airfare and per diem.	5 sessions, 8 hours	1	40
<i>CMA Computer Systems Documentation Workshop.</i> CMD Senior Systems Analyst Ibrahim Sabri delivered a series of sessions to the CMA IT staff concerning computer systems documentation.	4 sessions, 2 hours	6	48

Title & Description	Duration	Attendees	Person-Hours
<i>Central Registry Service.</i> CMD subcontractor Mellon Investor Services' advisor Ron Powell conducted training sessions on drafting procedures manuals for proxy capital increase and stock splits. This completed the last phase of documentation and procedure writing training.	5 sessions, 8 hours	15	600
<i>Bond Market Workshop.</i> CMD advisors Ziad Bahaa El Din and Yasser Hassan, Mahmoud Mohie El Din, advisor for the Bahaa El Din law firm, and short-term advisor Colin Bower conducted a workshop on bonds for market participants. In addition, representatives from the CMA and several journalists attended.	1 session, 8 hours	70	560
<i>International Financial Services Center.</i> Short-term advisor David Lovegrove made a presentation to the Egyptian Prime Minister regarding the Irish experience on the formation of Dublin's international financial services center. CMD Senior Legal Advisor Ziad Bahaa El Din also made a presentation explaining the relevancy of the financial services center to Egypt and presented a roadmap for its implementation.	1 sessions, 1 hour	2	2
A meeting was conducted at the Ministry of Foreign Trade, where Lovegrove and Bahaa El Din presented the concept of the international financial services center for Egypt to H.E. Minister Yousef Boutros Ghali. The presentation received positive feedback from both ministers who supported the establishment of an international financial services center in Egypt.	1 sessions, 1 hour	5	5

Title & Description	Duration	Attendees	Person-Hours
<p>Lovegrove presented a practical overview for developing the investment environment in Egypt by comparing it to the Irish experience to the policy committee of the National Democratic Party. Among the attendees were members from ECMA, EIMA, the Investment Authority, the Insurance Supervisory Authority and the CMA. Bahaa El Din expanded on the presentation by addressing the proposal for a similar financial services center and how it could be implemented in Egypt. He further illustrated the need and benefits of establishing such a center in Egypt and the pre-requisites for its implementation.</p>	1 session, 2 hours	100	200
<p><i>Regulation of Self-Regulatory Organizations.</i> Short-term advisor David Carrad conducted a workshop, for CMA participants, on stock exchange operations and oversight involving the regulation of respective securities trading and post-trade facilities. The presentation explained, among other issues, the role of the regulator, which rather than supervise daily operations should oversee the overall performance of the entities and their compliance with the capital market, central securities depository and registry laws, and executive regulations.</p>	1 session, 2.5 hours	25	62.5
<p><i>Workshops on Fixed-Income Instruments.</i> Short-term advisor Colin Bower conducted an internal workshop for the CMA corporate finance staff. The workshop focused on the proposed enhancements to the prospectus.</p>	1 session, 2 hours	10	20

Title & Description	Duration	Attendees	Person-Hours	
Following the resignation of the CBE IT staff person responsible for the book entry system, CMD Database Specialist Yasser El-Alaily conducted on-the-job training for two newly assigned IT staff: a database administrator and a programmer staff.	2 sessions, 4 hours	2	16	
Total—Fourth Quarter 2002		427	2837.5	
2002 Totals		624	5669.5	
First Quarter 2003	<i>Strengthen Technical Office.</i> As part of the task to enhance the technical office of the CMA Chairman, CMD Senior Financial Advisor Manal Shalaby and Senior Financial Analyst Hesham Ibrahim conducted an informal session for the technical office's staff on corporate governance. CMA Head of International Relations Osama El Ansary chaired the session. Shalaby conducted another session during the technical office weekly meeting on bonds.	2 sessions, 3 hours	9	54
	<i>Strategic Planning.</i> Short-term advisor Molly Bayley conducted workshops on developing CMA's mission statement and goals to members of the CMA top management. The CMA team developed the mission statement with the assistance of CMD Senior Financial Analyst Hesham Ibrahim and Senior Financial Advisor Manal Shalaby. The mission statement will be used in all CMA publications.	2 sessions, 3 hours	6	36

Title & Description	Duration	Attendees	Person-Hours
<p><i>Strategic Planning.</i> Short-term advisor Molly Bayley conducted another four workshops on developing CMA’s goals and objectives to members of the CMA top management. The findings were communicated to CMA Chairman Abdel Hamid Ibrahim. The CMA team incorporated the Chairman’s input on the mission statement and goals developed. Later, the mission statement of the CMA was finalized focusing on protecting investors, developing the capital market and maintaining its integrity. In addition, the CMA team finalized five goals and some specific objectives. The CMA Chairman approved the mission statement and goals finalized by the CMA team.</p>	4 sessions, 3 hours	6	72
<p><i>Workshops on Fixed-Income Instruments.</i> CMD Senior Financial Advisor Yasser Hassan conducted a workshop on asset-backed securities for the fixed-income unit at the CMA.</p>	1 session, 3 hours	20	60
<p><i>Education of Key Audiences.</i> CMD Communication & Media Relations Advisor designed a program for visitors from the Kuwaiti Stock Exchange. The program included visits to different departments at the CMA, MCDR, and three main economic research centers in Egypt.</p>	3 sessions, 8 hours	10	240

Title & Description	Duration	Attendees	Person-Hours
<p><i>Forums for Journalists.</i> A workshop on corporate governance for journalists in the Middle East region was conducted. Attending was also a delegation from the Kuwaiti Stock Exchange. The workshop covered several topics including information disclosure, credibility of information and compliance in preparation and review, and the role of regulatory authorities in enhancing corporate governance. The practical experience of disclosure, disclosure rules as incentives, and measures for improving management was also covered.</p>	1 session, 8 hours	60	480
<p>Two CMA IT staff members attended two CMD-funded programs titled “Implementing and Managing Exchange 2000 Server” and “Design Exchange 2000 for large organizations.” This will assist the participants in becoming Microsoft Certified Systems Engineers. The rest of the courses necessary for the certification was provided by DT2.</p>	10 sessions, 8 hours	2	160
<p><i>Corporate Governance.</i> CMD Senior Financial Advisor Ahmed Hussein developed a presentation on the CMA role in enhancing Egypt’s compliance with corporate governance principles. The Chairman delivered the presentation – focusing on listing rules – at the Corporate Governance workshop sponsored by the Center for International Private Enterprise (CIPE). CMD’s contribution included providing short-term advisor Morrie Simkin to conduct a presentation relating to CASE’s listing rules as a mean of strengthening and promoting corporate governance and recent initiatives taken in the U.S. in this regard.</p>	1 session, 8 hours	250	2000

Title & Description	Duration	Attendees	Person-Hours
<p><i>Training for Judges and Prosecutors.</i> Short-term advisor Morrie Simkin conducted part of a 3-day weekend workshop on legal aspects of the Central Depository, clearing, registry and margin trading at Ain El Sokhna. The workshop presented some judges, prosecutors and CMA representatives with the legal and regulatory aspects of a central securities registry, a central securities depository and a clearing settlement system. An additional panel session covered the legal aspects of margin trading.</p>	7 sessions, 2 hours	35	490
<p><i>Presentation on MCDR Achievements.</i> MCDR Deputy Chairman and Managing Director Mohamed Abdel Salam delivered a presentation outlining MCDR/CMD achievements since the setting up of MCDR to USAID officials. CMD Communications Director Samer Badawi assisted MCDR in preparing its presentation.</p>	1 session, 1.5 hours	25	37.5

Title & Description	Duration	Attendees	Person-Hours
<p><i>Strategic Planning.</i> Short-term advisor Molly Bayley conducted three sessions for the CMA strategic planning team to determine steps to implement the strategic plan and account for changing conditions. CMD Senior Financial Advisor Manal Shalaby prepared a follow-up schedule for the completion of the action plan by the CMA senior strategic planning team. The schedule included deadlines for submitting amendments to action plan tasks, submitting start and end dates for each task, preparing a Gantt chart for all tasks and determining priorities (in terms of work loads), submitting the final plan to CMA Chairman, and starting the execution of the action plan and regular follow-up. In addition, short-term advisor Molly Bayley submitted a strategic planning manual to be used by the CMA team.</p>	3 sessions, 3 hours	6	54
<p><i>New Rules and Regulations.</i> A workshop on anti-money laundering procedures for securities companies took place last week. Journalists, CMA, EIMA and ECMA members attended this workshop at the Nile Tower Hotel. CMD Senior Financial Analyst Hesham Ibrahim prepared a presentation delivered by the CMA Chairman on anti-money-laundering regulations of the CMA. Other speakers included the head of the Anti-Money Laundering Unit and the executive manager of the same unit.</p>	1 session, 3 hours	60	180

	Title & Description	Duration	Attendees	Person-Hours
	<i>ECMA/CMD Awareness Seminars.</i> The first public awareness seminar was conducted at the Heliopolis Sporting Club. Speakers at the seminar included ECMA and EFG-Hermes Chairman Mohamed Taymour, Head of Ahli Investment Fund Alaa Amer, Asset Manager Alaa Sabaa, and board of director's members Essam Khalifa and Khaled El Tawil. Heliopolis club members attended the seminar. CMD and ECMA brochures were distributed among the attendees.	1 session, 3 hours	90	270
	Total—First Quarter 2003		579	4133.5
Second Quarter 2003	<i>Forum for Brokers.</i> CMD Communication and Media Relations Advisor Iman El Sherif organized forums for brokers at the CMA. Five forums for brokers were conducted for representatives of brokerage firms. Thirty brokers attended each forum. CMD Senior Financial Analyst Hesham Ibrahim and CMA Deputy Chairman Ahmed Saad made presentations on anti-money laundering and discussed relevant CMA regulations and requirements with which brokers must comply.	1 session, 3.5 hours	160	560

Title & Description	Duration	Attendees	Person-Hours
<p><i>Communication between the Market Regulator and Selected Audiences.</i> Communication & Media Advisor Iman El Sherif and Senior Financial Analyst Hesham Ibrahim prepared a seminar at the Alexandria Mariout Rotary Club. The seminar was conducted May 3, 2003 as part of the public awareness initiative on capital markets. Around 70 participants, including Rotarians, members of the Alexandria Businessmen Association, and the Alexandria National Democratic Party, attended the 4-hour seminar. The speakers, CMA Chairman, and MCDR Deputy Chairman and Managing Director Mohamed Abdel Salam, discussed medium and long-term finances through the capital market and the newly developed laws and regulations relevant to the functioning of the capital market in Egypt.</p>	1 session, 4 hours	70	280
<p><i>Strengthen Technical Office.</i> CMD Senior Financial Advisor Manal Shalaby conducted an orientation program for Nermine El Nahas, a new recruit to the CMA technical office, and gave her background reading material including the country report on Egypt prepared by HC Brokerage firm.</p>	2 sessions, 1 hour each	1	2

Title & Description	Duration	Attendees	Person-Hours
<p><i>Surveillance.</i> A surveillance training program was delivered by the CMA surveillance team to the CMA Legal Affairs Department. CMD Senior Financial Advisor Manal Shalaby took the lead in the initial preparations of the program with the legal contact in the surveillance department Ismail Abd El Aal who attended the surveillance overseas study tour conducted in the US early 2002. Shalaby and Abdel Aal finalized the outline of the program, timing, and proposed instructors. The program took place June 16-25 (total of 4 training days) at the CMA for 4 participants from the Legal Department. Handouts in the program included the surveillance procedures manual (Arabic) originally prepared by short-term advisor Molly Bayley in English, training material prepared by the instructors based on the development outline, actual case studies on manipulation and insider training, and US laws related to insider trading. Short-term advisor Ken Newman contributed to this training.</p>	4 sessions, 2 hours each	4	32
<p><i>Training of Judges and Prosecutors.</i> CMD Senior Financial Advisor Manal Shalaby prepared a PowerPoint presentation on the legal framework of the Egyptian Capital Market covering the basic infrastructure, the legislative umbrella, disclosure, investor protection, and penalties. The Chairman delivered the presentation at an Alexandria workshop held by the National Center for Judicial Studies for judges from Courts of Appeals for all delta governorates. MCDR Deputy Chairman Mohamed Abdel Salam delivered his own presentation to the same group.</p>	2 sessions, 2 hours each	28	112

Title & Description	Duration	Attendees	Person-Hours
<p>CMD Communication & Media Relations Advisor Iman El Sherif and Senior Financial Analyst Hesham Ibrahim prepared a presentation on the role of the CMA in mortgage financing (mobilizing funds). The CMA Chairman delivered the presentation at a World Bank symposium titled “Mortgage Lending & Securitization.”</p>	<p>1 session, 2 hours</p>	<p>200</p>	<p>400</p>
<p><i>Forums for Issuers.</i> CMD Communication & Media Relations Advisor Iman El Sherif conducted a workshop for members of the Alexandria Businessmen Association on Debt Management and Long-term Financing. Speakers included CMA Chairman Abdel Hamid Ibrahim, CMD Senior Legal Advisor Dr. Ziad Bahaa El Din, Senior Financial Advisor Dr. Yasser Hassan, and Dr. Mahmoud Moheyeldin. The sessions conducted covered legal, financial, and economic aspects of corporate debt with case studies. A leaflet on bonds, prepared by Bahaa El Din Law office, was distributed at the workshop.</p>	<p>4 sessions, 1 hour each</p>	<p>20</p>	<p>80</p>

Title & Description	Duration	Attendees	Person-Hours
<p><i>Communication between the Market Regulator and Selected Audiences.</i> As part of the effort to invite the international press to cover issues concerning the CMA, CMD Communication & Media Relations Advisor Iman El Sherif prepared two interviews for the CMA Chairman. A freelance correspondent for the New York Times conducted the first interview. The topics discussed included the CMA role as the regulating body, future developments, positioning of the Egyptian capital market in the region and globally. Also discussed were the major aspects of the Capital Market Law and the macroeconomic effects on the capital market.</p> <p>The second interview was conducted with Business Today and topics discussed included the challenges facing the CMA, challenges in enforcing the Capital Market Law, the application of corporate governance principles, the efforts made in the areas of disclosure and transparency, and in public awareness.</p>	1 session, 1.5 hours	4	6
<p><i>Primary Dealers for Government Securities & Strengthening Technical Office.</i> CMD Senior Financial Advisor Manal Shalaby supervised members of the CMA Technical Office in preparing materials for the CMA Chairman for a roundtable with primary dealers. Shalaby attended the roundtable with representatives of the 10 banks interested in becoming primary dealers.</p>	1 session, 3 hours	30	90
<p><i>Investor Protection Fund (IPF).</i> CMD Insurance Advisor Mustafa Mazhar delivered a presentation to the CMA Board of Directors on the IPF design.</p>	1 session, 1 hour	7	7

Title & Description	Duration	Attendees	Person-Hours
<i>Seminar on Bonds.</i> A 2-hour seminar on bonds was conducted at Alexandria University – Faculty of Commerce. The CMA Chairman spoke to an audience composed of academics, graduate students, and businessmen.	1 session, 2 hours	200	400
<i>ECMA/CMD Awareness Seminars.</i> The first awareness seminar was conducted for members of the general public who are active, willing to express their views with respect to change, and interested in contributing to the capital market. The seminar entitled “Introduction to the Capital Market.” The speaker at this seminar was the CMA Chairman with co-speaker ECMA Chairman Dr. Mohamed Taymour.	1 session, 2 hours	200	400
<i>Inspection.</i> CMD short-term advisor Ken Newman conducted three workshops relevant to the inspection task for the inspection taskforce group at the CMA. The workshops related to how to create an effective inspection program and focused on inspection techniques. Newman also discussed the anti-money laundering inspection procedures.	3 sessions, 3 hours each	20	180
<i>Inspection.</i> A workshop on the anti-money laundering inspection was conducted for the CMA inspection team by CMD Senior Financial Analyst Hesham Ibrahim.	1 session, 1.5 hours	30	45
Total—Second Quarter 2003		974	2594

	Title & Description	Duration	Attendees	Person-Hours
Third Quarter 2003	<p><i>Primary Dealers for Government Securities.</i> CMD Deputy Chief of Party Ahmed Hussein drafted a presentation on primary dealers for treasury bonds. The CMA Chairman delivered the presentation at the first 2-hour roundtable for prospective primary dealers, bank representatives, and representatives of the Ministry of Finance. From the CMD Project technical team, CMD Chief of Party François Jude-Pépin, Deputy Chief of Party Ahmed Hussein, Communication & Media Relations Advisor Iman El Sherif, and Senior Financial Analyst Hesham Ibrahim attended the roundtable. The focus of the presentation was the role of primary dealers in the primary and secondary markets, and the regulatory role of the CMA. This was a CMA/MCDR joint endeavor to provide awareness for the target group. A fact sheet on bonds prepared by the Ziad Baha El Din Law office and published by the CMD project was distributed at this roundtable to the participants. The fact sheet provides an overview of what bonds constitute, their legal framework in Egypt, whether it has to be issued through a stock exchange, the procedures to issue bonds, credit rating procedures, rights of bondholders, taxation for bonds, and the role of the CMA in bond issuance.</p>	1 session, 2 hours	70	140

Title & Description	Duration	Attendees	Person-Hours
<p><i>Forum for Brokers.</i> CMD Communication and Media Relations Advisor Iman El Sherif organized forums for brokers at the CMA. Five forums for brokers were conducted for representatives of brokerage firms last quarter. This quarter, a sixth one was conducted for another 30 representatives of brokerage firms. CMD Senior Financial Analyst Hesham Ibrahim and CMA Deputy Chairman Ahmed Saad made presentations about fraud and financial crimes and discussed relevant CMA regulations and requirements with which brokers must comply.</p>	1 session, 3.5 hours	30	105
<p><i>Seminar for Newspaper (Al Mal).</i> The newspaper <i>Al-Mal (The Money)</i> conducted a 3-hour seminar, inviting CMA officials—CMA Deputy Chairman Ahmed Saad and two CMA staff members (from the Research and Development and Market Operations departments)—to discuss matters concerning the work of the CMA. The topics discussed included membership rules, repatriation of funds and CBE policy, CMA’s role in the laws regulating companies, regulations of disclosure on the stock exchange screens, process of changing the stock exchange into a self-regulatory organization, why margin trading has not been implemented, and CASE disclosure to newspapers that the CMA approved that it would have two trading sessions per day. Ten journalists and the editor-in-chief Hazem Sherif, who led the seminar and acted as a moderator, attended the seminar.</p>	1 session, 3 hours each	11	33

Title & Description	Duration	Attendees	Person-Hours
<i>New Rules and Regulations.</i> CMD Senior Financial Analyst Hesham Ibrahim conducted a training course for an Arab delegation at the Administrative Control Authority. The topic of the course was on the rule of the CMA in combating money laundering.	1 session, 2 hours each	15	30
Total—Third Quarter 2003		126	308

	Title & Description	Duration	Attendees	Person-Hours
Fourth Quarter 2003	<p><i>CMA Workshops on SROs.</i> CMD Chief of Party François Jude-Pépin held two half-day workshops on the regulation of a securities depository and a clearing and settlement agency and registry for 23 CMA staff from the Inspection, Surveillance, and Legal Departments. Deputy Chief of Party Ahmed Hussein prepared and delivered a presentation on the sequence of MCDR operations for certificate and book-entry settlements. The first day covered what MCDR does, how it does it, and its operating framework – a including the whys and hows of regulation. The second day workshop explained risk management, reviewed international standards and where to find them, and presented current issues and developments around the world. At the end of the workshop, attendants worked with CMD Deputy Chief of Party Ahmed Hussein, Senior Financial Advisor Manal Shalaby, and Senior Legal Advisor Neffertiti Tosson to resolve nine practical cases in which the regulator must make a decision or intervene.</p> <p>The objective of the seminar was to provide CMA participants with a better understanding of MCDR and its role and services, as well as to provide them with a regulatory perspective. The intent is to enable the CMA to adequately supervise MCDR, including processing its license and approving MCDR contracts, rules, and amendments.</p>	2 session, 4 hours	23	184

Title & Description	Duration	Attendees	Person-Hours
<i>Workshop for Judges and Prosecutors.</i> CMD conducted a workshop on fraud and financial crimes for 65 members of the Administrative Control Authority, the Ministry of Interior, and Judges and Prosecutors. In a 3-hour session, Head of the Anti-Money Laundering Trustee Council at the CBE, Serry Siam (the main speaker), discussed Egypt's implementation plan to combat fraud and financial crimes. The CMA Chairman discussed the role of the CMA in combating financial crimes.	1 session, 3 hours	65	195
<i>Training of MCDR Staff.</i> CMD Senior Financial Advisor Manal Shalaby delivered a workshop on primary dealers to MCDR staff. Also attending were the MCDR Chairman and Managing Director. The workshop covered the importance of primary dealers, their role, their requirements and obligations, the legal and organizational framework for their activity, the role of regulators, risks, and challenges. In addition, Shalaby prepared material for the workshop that introduces the subject and focuses on the role of the primary dealer system (FIS1).	1 session, 3 hours each	35	105
Total—Fourth Quarter 2003		123	484
2003 Totals		1802	7519.5