



Training Recommendations for the First Year Work Plan

The Egypt Capital Markets Development Project

Michael Gorham
Center for the Study of Law and Financial Markets
Illinois Institute of Technology



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TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
A CAPITAL MARKETS AUTHORITY	1
B CAIRO AND ALEXANDRIA STOCK EXCHANGES	2
C MISR FOR CLEARING, SETTLEMENT, AND DEPOSITORY	3
D EGYPTIAN CAPITAL MARKETS ASSOCIATION	3
E CENTRAL BANK OF EGYPT	4
F GENERAL TRAINING RECOMMENDATIONS	4
APPENDIX A INTERVIEWS CONDUCTED WITH EGYPTIAN INSTITUTIONS	7
APPENDIX B SUMMARY OF THE BARENTS TRAINING NEEDS ASSESSMENT REPORT	11

EXECUTIVE SUMMARY

The Capital Markets Development (CMD) project engaged Michael Gorham, from the Center for the Study of Law and Financial Markets, to recommend training strategies for the project's 1999 Work Plan. While in Egypt, he conducted interviews with senior officials at the Capital Market Authority (CMA), Cairo and Alexandria Stock Exchanges (CASE), Misr for Clearing, Settlement, and Depository (MCSD), Egyptian Capital Markets Association (ECMA), and Central Bank of Egypt (CBE). A summary of these interviews is included in Annex A.

Based on his interviews and research, Gorham makes the following recommendations for the project's training activities at the CMA, CASE, MCSD, and ECMA:

- At the CMA, training should be focused on corporate finance, creating effective reports, and financial English. In two other areas, surveillance and international accounting standards, the CMD project is already prepared to conduct significant training, and no other training activities are indicated at this time.
- At CASE, the project should concentrate on enhancing the computer capabilities of the exchange's new training center, as well as on developing short courses on a variety of topics. In addition, the scope of the training currently given to floor brokers should be expanded and, as with the CMA, corporate finance courses should be offered.
- MCSD also has training needs in capital markets basics and financial English. In addition, programs in MCSD functions and training of trainers should be developed.
- ECMA should be assisted in acquiring training materials, and courses in financial English should be offered. In addition, workshops to facilitate debate on selected issues should be created.

Unfortunately, while Gorham was able to meet with senior CBE officials, he was unable to schedule an appointment with the individual responsible for the institution's training program. Further investigations are suggested when the project's CBE advisor, Barry Gray, meets with the bank's governor during November.

Finally, Gorham advises the project to facilitate, to the greatest extent possible, coordination between the partner institutions, but notes that measures should be taken to protect the individual interests of each. Also at the level of combined effort, he suggests that the project develop general training activities and workshops to extend capital markets knowledge and to facilitate the discussion of new financial products.

TRAINING RECOMMENDATIONS FOR THE FIRST YEAR WORK PLAN

Michael Gorham
Center for the Study of Law and Financial Markets
Illinois Institute of Technology

A Capital Market Authority (CMA)

Interviews and research conducted at the CMA uncovered a number of areas in which the CMD project should plan additional training activities, including corporate finance, financial English, and creating effective reports and presentations. In two other areas—surveillance and international accounting standards—the CMD project is already conducting significant on-the-job and formal training, and no additional training activities are indicated at this time.

(A1) *Surveillance* There was a strong demand for training in surveillance from both the CMA and from CASE. Short-term consultant Frank Wilson, a former NASDAQ general counsel, is currently in Cairo on a rapid response assignment and will give recommendations to the project in the surveillance area. In addition, Bill Lee, formerly in charge of surveillance at the Boston Stock Exchange, will be doing on-the-job training for the surveillance staff at the CMA and eventually at CASE (when the surveillance function is transferred to CASE upon the introduction of the new trading system next year). No additional training activities in the surveillance area are currently recommended.

(A2) *Corporate Finance* There was a strong demand for training programs in order to help the CMA's corporate finance staff evaluate reports issued by companies conducting initial public offerings (IPOs) and expansions of shares. These training programs should be conducted in Arabic. The CMD project's Manal Shalaby is currently offering on-the-job training in this area.

In addition, KPMG will conduct a two-day program on business valuation at the end of January. The cost of this program is LE1,000 per person. According to KPMG, only good English speakers with MBAs should be sent to this program. Development and Training Two (DT2) is willing to support the cost of such a program, and the project should identify and send a select number of CMA staff members who meet the criteria. The staff members can then assist the project in evaluating whether or not to ask KPMG to deliver similar courses in Arabic to the CMA and CASE. During discussions, KPMG indicated its willingness to develop an Arabic version of the course.

Finally, it should be noted that some of those interviewed questioned the appropriateness of the corporate finance component at the CMA and CASE.

(A3) *Financial English* During interviews and research at the CMA, a number of requests were made for training programs in technical, financial English. In addition, financial journalists have requested training programs in financial English from the CMA. Similar requests were received from MCSA and ECMA.

Teaching financial English involves explaining the concepts behind the terms and is, in effect, a basic course on capital markets. While the project could develop a condensed capital markets course focusing on terminology, its staff feels that the best way to handle this request is to incorporate financial English into a basic, Arabic-language course on capital markets.

- (A4) *Creating Effective Reports* The CMA Chairman identified the need to conduct workshops on the creation, effective presentation, and careful interpretation of financial and statistical reports. For these workshops, the chairman suggested that the CMA, CASE, and MCSD staffs be targeted. The ECMA did not request this type of training, nevertheless, its staff may find the workshops useful, and they should be invited.
- (A5) *International Accounting Standards* During the November 6, 1998 CMD-project retreat, training in international accounting standards (IAS) was requested. The CMD project's Ahmed Hussein, who was an accountant with a major international firm for nine years, is currently conducting on-the-job training for the CMA in this area, and he is also assisting the CMA in creating an IAS course and certification examination. No further training activities in this area are indicated at this time.

B Cairo and Alexandria Stock Exchanges (CASE)

The CMD project should work to enhance the new CASE training center, and develop short courses in capital market basics, portfolio management, financial statement evaluation, and other relevant areas. The project should also work towards expanding the current training offered to floor brokers.

- (B1) *Training Center* The development of a training center at CASE should be supported. This support should focus on supplying computer hardware and high-quality financial markets educational software. The CMD project should facilitate discussions between CASE and US software developers, in order to allow the exchange to license software for the development of Arabic versions. In addition, some Arabic software and written materials may already exist at the Arab Academy for Finance and Banking (AAFB), located in Jordan and sponsored by the Arab League, or at the training institute associated with the Saudi Arabian Monetary Authority. The project and CASE also might investigate developing Arabic versions of US software and materials at the AAFB.
- (B2) *Basics, Portfolio Management and Financial-Statement Evaluation* The CMD project should seek to compress existing, practitioner-focused courses in capital market basics, portfolio management, financial statement evaluation, and other relevant areas into intensive, three-week courses. The training materials for these courses might be delivered to CASE and/or local universities for the creation of Arabic-language versions. Cooperation of this type will allow for the transfer of both technical information and teaching technologies.
- (B3) *Floor Brokers* CASE should be assisted in broadening the scope of the current examination and training activities for floor brokers. These activities are currently focused on Law 95 and should be expanded to include additional work on ethics as well as technical knowledge about the operation of markets in general. It should be noted that a code of ethics must first be established before it can be taught, as one does not currently exist. The project should offer to facilitate this process.

(B4) *Surveillance* See above, section A1

(B5) *Corporate Finance* See above, section A2

C Misr for Clearing, Settlement, and Depository (MCSD)

MCSD requires training in several areas, including capital market basics, basic MCSD functions, and training of trainers. Training in these areas, to the greatest extent possible, should be conducted in Arabic, and appropriate materials need to be developed to support these activities. As with the CMA, training in financial English was also requested.

(C1) *Capital Markets Basics* A self-study guide on capital markets basics, with appropriate examinations, should be created. To be effective, students should be given time at work to complete the course, approximately one hour per day, and progress should be monitored. Materials for the course should be in Arabic, and examinations should be corrected by the MCSD training coordinator. This training program should also be offered at the CMA and CASE.

(C2) *Basic MCSD Functions* A self-study guide on the role of the clearing, settlement, and depository in Egypt should be created. As with the course on capital markets basics, the students should be given time at work to do the course, their progress should be monitored, Arabic-language materials should be developed, and exams should be corrected by the MCSD training coordinator.

(C3) *Trainer Effectiveness Coaching* The CMD project should arrange to have a professional trainer give a workshop on training techniques. The consultant should also observe classes given by the MCSD staff, evaluate their course materials, and make recommendations for improvement. Ideally, the project should select a trainer who is fluent in both spoken and written Arabic. Nevertheless, the project's staff members have observed dramatic improvements even when local trainers were taught in English. While only the MCSD's staff requested training of trainers, the CMA, ECMA, and other institutions might find such training activities useful.

(C4) *Financial English* See above, section A3

D Egyptian Capital Markets Association (ECMA)

At ECMA, the project should assist the association in gathering training materials and facilitating workshops on selected, capital-markets issues. As with the other areas, training in financial English was also requested.

(D1) *Training Materials* Off-the-shelf training materials in selected capital markets areas should be obtained, evaluated, and provided to both ECMA and CASE, in addition to relevant information regarding licensing.

The areas covered by these training materials should include the following

- Financial analysis
- Investment banking
- Brokerage operations (sales, research, and back office)
- Asset management
- Clearing and settlement
- Exchanges
- Ethics

(D2) *Financial English* The project should investigate offering a course in financial English tailored to the needs of ECMA. The course should focus on teaching brokers how to read and understand financial news gathered from Reuters and other wire services, as well as how to hold sophisticated discussions with their international clients. See CMA, section A3.

(D3) *Workshops on Selected Issues* The project should facilitate a series of workshops on selected issues related to the development of Egypt's capital markets. In developing workshops on specific topics, discussion leaders should lay out the current situation, and then allow for an open discussion among participants to recommended changes. The workshops should be held in the absence of government representatives, who reportedly intimidate the brokers. However, the results of the meetings should be given to the CMA for its consideration. These workshops might be most effective if the CMA asks for ECMA's comments on various topics, and then allows ECMA members to meet on their own to hash out a response. The following topics are suggested:

- Settlement procedures
- Tender offerings
- Marriage transactions
- Corporate bonds
- Suspension of transactions during periods of uncertainty
- Ethics

E Central Bank of Egypt (CBE)

Insufficient information was obtained to realistically assess the CBE's training needs. Preliminary investigations indicate that the CBE may not be prepared to benefit from the project's support for training activities during the first year of the project. Barry Gray, the project's CBE advisor, will be able to determine the bank's needs more clearly after he meets with the bank's governor in late November.

F General Training Recommendations

Several additional areas cut across institutional boundaries. Most importantly, the project should strive to develop a unified training center or, to the greatest extent possible, facilitate combined efforts on the part of the partner institutions. In addition, the project should help develop a broadly-distributed course on capital markets and workshops on new financial products.

(F1) *Training Centers* Several of the institutions indicated that they already had (CMA, CASE, and CBE) or would like to have (MCSD) internal training centers (see above, section B1) At the same time, some combined efforts are under way CASE and ECMA, for example, are currently discussing the creation of specialized courses at the exchange's new training center Obviously, economies of scale could be realized if all or several of the institutions pooled their resources and talents in support of a single training center Nevertheless, this type of combined effort may be a political impossibility If this is the case, the project should consider suggesting a compromise in which all five institutions have their own training coordinators but share a state-of-the-art training facility The facility should be equipped with a variety of educational and trading-simulation software The creation and equipping of such a center might be funded by the CMD project and outfitted by a US university or training institution

CASE's new training center is the most logical home for a unified training facility The center has a large, 40-seat classroom and an adjoining room with 64 high-end computers (400 MHz, 128 MB memory, 6 GB hard drives, and multimedia 24X CD Roms) The exchange also has a self-study capital markets course from Euromoney on CD Rom The drawback to locating the training center at CASE is that these facilities serve as a back-up room when the computerized trading system fails, and for obvious security reasons, none of the computers can be linked to the Internet

(F2) *Broadly-Distributed Capital Markets Course* Egypt has a shortage of workers with an understanding of capital markets To help rectify this problem, a course on Egyptian and international capital markets, delivered broadly over the Internet, could be developed Initially, the course might be offered in English by a US university and repeated several times to allow for refinement based upon student feedback After the first delivery, however, the course should be translated into Arabic and offered by an Egyptian institution (either an academic institution like the American University in Cairo or Cairo University, or by a capital markets institution like CASE or ECMA) During the development process, a partnership should be created between the US university and local institution, enabling the former to support the latter as it gears up to deliver the course

Alternatively, the course could be delivered via television The Egyptian government is currently planning a financial channel that could carry the course Unfortunately, this channel will transmit digitally, and Egyptian televisions with satellite capability are overwhelmingly analog at the moment Both the Internet and television approaches should be investigated further, but preliminary analysis suggests that using the Internet would be more flexible (people could access it on their own schedule) and cheaper than using television

(F3) *New Products* None of those interviewed revealed a strong demand for training on new financial products. There was generally more of a desire to focus on the products already available. Nevertheless, some groups need to be thinking about the future. For this reason, support for a one-day conference on new financial products should be investigated. To prepare for the conference, a list of products currently available in Egypt might be developed and then compared to products available in the international marketplace. Focused presentations on each of the products missing from the Egyptian market could then be prepared, followed by a discussion of how these additional products are used, by whom, and whether or not they should be phased into the Egyptian market. This program may be more appropriate in the second year of the project.

ANNEX A

Interviews Conducted with Egyptian Institutions

ANNEX A

Interviews with the Egyptian Institutions

The following table summarizes the interviews conducted with representatives from various Egyptian institutions about capital markets training already available in Egypt, and the types of training which should be supported by the CMD project during its initial year

Institution	Client Institution Representative	CMA Project Representatives	Major Themes
American University in Cairo	Dr Bahgat A Moussa Director of Business Studies Division	Mike Gorham Neffertiti Tosson	Discussed the university's certificate of finance program (its cost, enrollment, and sponsorship of students) Also discussed other CPA courses offered by the institution, as well as the lack of degree-granting finance programs in Egypt
MCSD	Mohamed S Abdel Salam Deputy Chairman & Managing Director Ashraf Gendia Assistant General Manager, Planning Gehanne Helmy Manager, Information Department Nashwa Awad Manager, Training	Mike Gorham Neffertiti Tosson Pat Collins	Discussed the history of MCSD, which was conceived of in 1994, and started in 1995 The institution now has 279 employees Also discussed the types of training offered by MCSD, including courses on the MCSD accounting system and on the institution s software These courses are offered to bookkeeping personnel from banks and independent bookkeepers and are partially subsidized MCSD s future training needs were also discussed The following training activities were suggested training of trainers, financial English general capital markets knowledge, legal aspects of securities markets, risk management and dealing with corporate actions

Institution	Client Institution Representative	CMA Project Representatives	Major Themes
ECMA	<p>Hany Tawfik ECMA General Secretary Chairman and Managing Director, Global Management</p>	<p>Mike Gorham Pat Collins Neffertiti Tosson</p>	<p>Discussed training needs of floor brokers, in particular extending the current training program beyond its focus on Law 95. The current course work was described and previous USAID training of trainers programs discussed. Seminars on selected topics were also discussed. The topics might include the following: settlement procedures, tender offerings, marriage transactions, corporate bonds, suspension of transactions, ethics, Egyptian vs international transactions and financial English.</p>
ECMA	<p>Hassan Abdalla Deputy General Manager, Arab African International Bank Chairman of the ECMA Training Committee</p>	<p>Mike Gorham Neffertiti Tosson</p>	<p>Discussed the current training programs at the ECMA, as well as Abdalla's experiences in the USAID-funded Barents training program. While brokers originally attended the ECMA training courses in order to waive the experience requirements for becoming a managing director, they now attend in order to gain business knowledge. The curriculum for the ECMA training program was outlined, and Abdalla noted that it represents a real commitment on the part of the industry.</p>
EPMG/ECMA	<p>Hisham Tawfik Managing Director (also a major influence in the ECMA)</p>	<p>Mike Gorham</p>	<p>Discussed the USAID-funded Barents training needs assessment and program, as well as its limitations. Tawfik suggested that the development of Arabic-language materials was most important at the current time, and suggested that the Arab Academy of Banking, sponsored by the Arab League and located in Jordan, might be of use in this endeavor.</p>

Institution	Client Institution Representative	CMA Project Representatives	Major Themes
CMA	Ashraf Shamseldin Deputy Chairman	Mike Gorham Wageeh Nabarawy	<p>Discussed the future of the Egyptian capital market and the training needs of its participants. The following types of training were suggested: the ECMA needs to train market participants, the MCSD needs to train its staff, the CMA needs to train people to be good regulators, and the CBE needs to train individuals about how to develop the debt market. Some of this training should be short-term, some continuous, and some for licensing purposes.</p> <p>For the CMA staff, training on the following topics was suggested: corporate finance, surveillance, market regulation, and financial English. He noted that financial reporters have requested training in this latter area.</p> <p>For others, like lawyers, law and compliance officers, and sales representatives, Shamseldin suggested that training on three levels be offered: basic training, on-the-job training, and state-of-the-art training. In addition, he suggested that competition in the training area be encouraged.</p>
CMA	Abdel Hamid Ibrahim Chairman Ahmed A. Kheir El Din Head of Surveillance	Mike Gorham Bill Lee Wageeh Nabarawy Frank Wilson	<p>The Chairman indicated that the CMA has the following training priorities: corporate finance activities, disclosure and how to examine and evaluate financial statements, and market surveillance. Training at CASE should include corporate action, market surveillance, and how to prepare a good statistical report on activities. At the MCSD, basic capital markets training is required and brokers need training in ethics. The participants also emphasized the need to enhance local training capabilities, as well as to modify foreign materials to suit the Egyptian situation.</p>

Institution	Client Institution Representative	CMA Project Representatives	Major Themes
CBE	<p>Mostafa Ismail Eweiss Sub Governor</p> <p>Abd Elaziz Khattab General Secretary</p> <p>Faroq Amir Training Director</p>	<p>Mike Gorham</p> <p>John Costalos</p>	<p>Met with Eweiss and Khattab, who indicated that the project should discuss training activities with Faroq Amir. Unfortunately, due to scheduling conflicts, the investigators were unable to meet with Amir. The project should follow up with Amir to discuss the CBE's training needs.</p>
CASE	<p>Baher El Hefwany Senior Advisor to the Chairman</p>	<p>Mike Gorham</p> <p>Bill Lee</p>	<p>Discussed the exchange's training needs, as well as those of other capital markets institutions. The interviewee suggested training in surveillance and corporate finance. A Euromoney course being taught at the Evergreen Center was also discussed. The interviewee emphasized the need to develop courses adapted to Egypt, saying that both off-the-shelf programs and self-study courses are ineffective. Coordinating training programs between CASE, MCSD, and ECMA was also discussed.</p>

ANNEX B

Summary of the Barents Training Needs Assessment Report

ANNEX B

Summary of the Barents Training Needs Assessment Report (August 1996)

The Barents report (funded by USAID) is over two years old, and in a rapidly changing market, the training needs of mid-1996 have become somewhat outdated. For example, some of the needs listed below have already been partially met by an ECMA course created by the brokers themselves.

The research process used by Barents was systematic and thorough. The investigators targeted the CMA, brokers, and institutional investors for intensive analysis, and investment banks and the stock exchange for modest analysis. From these groups, the researchers selected review teams to be used for focus groups, interviews, and surveys. The report identifies performance targets in relevant areas, and then identifies gaps between the targets and the actual situation. While a quick summary cannot do justice to the thoroughness of the report, the priorities set by the three groups targeted for intensive analysis are of interest. The Barents team determined these priorities using both quantitative and qualitative methodologies.

Quantitative analysis identified the following areas as training priorities for the CMA, brokers, and institutional investors:

CMA

- Egyptian legal and regulatory objectives, procedures, and practices
- International accounting principles and practices
- Egyptian institutional investor concepts and procedures
- Financial markets and instruments
- Egyptian brokerage practices

Brokers

- Brokerage policies and procedures
- Trading
- Securities products
- Investors
- Securities markets

Institutional Investors

- Investment objectives
- Investment techniques
- Macroeconomics
- Financial and security analysis
- Financial markets

Qualitative analysis singled out different areas for training activity

CMA

- Knowledge of Egyptian and international laws and their application
- Financial management and analysis
- Surveillance practices
- International and Egyptian stock exchange procedures and practices
- Financial instruments
- Disclosure tools

Brokers

- Knowledge of Egyptian securities laws
- Code of ethics and conduct
- Economics
- Reviewing company financial statements
- Stock exchange floor experience
- Clearing and settlement
- Equity research

Institutional Investors

- Upgrading industry skills
- Long-term training for new employees