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# Securitisation 2026

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**Egypt: Law and Practice & Trends and Developments**

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Matouk Bassiouny & Hennawy



# EGYPT



## Law and Practice

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**Matouk Bassiouny & Hennawy** was established in 2005 and is a leading full-service business law firm in Egypt and the MENA region, with offices in Algeria, Sudan, the UAE and a New York satellite office focused on international dispute resolution. The firm also has country desks for Libya and South Korea. With over 230 lawyers trained in both common and civil law systems, the firm provides services in English, Arabic, French and Korean. Its Finance and

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## 1. Specific Financial Asset Types

### 1.1 Common Financial Assets

The laws and regulations governing securitisation in Egypt do not expressly limit the types of financial assets that may be securitised. The main requirements under Capital Markets Law and rules of the Financial Regulatory Authority (FRA) are that the assets must be assignable, unconditional and free from encumbrances. Where these conditions are met, the assets may be securitised.

In practice, the Egyptian market has focused primarily on non-banking financial services, including consumer finance, microfinance, SME lending, mortgage finance and financial leasing. Additionally, securitisations have been carried out in respect of real estate portfolios, school tuition fees and club membership fees.

### 1.2 Structures Relating to Financial Assets

Securitisation transactions in Egypt follow a uniform, regulated structure under the Capital Markets Law and its executive regulations, supervised by FRA. This structure applies regardless of the type of underlying asset, provided the assets are assignable, unconditional and free from encumbrances.

The overall framework is designed to ensure that the transaction qualifies as a “true sale” securitisation.

The usual transaction structure is as follows.

- Step one – obtaining FRA assignment approval (whether on a standalone issuance or an issuance under a multi-issuances programme).
- Step two – obtaining FRA portfolio approval by submitting a detailed portfolio spreadsheet showing all underlying asset information.
- Step three – conducting due diligence. Legal and financial due diligence is carried out on the portfolio to assess, inter alia, legal enforceability, documentation standards and projected cashflows. The due diligence reports are shared with the credit rating agency which rates the portfolio subject to the securitisation. This process ensures the assets are valid, enforceable and compliant with statutory and regulatory requirements.

- Step four – drafting and reviewing legal documents. Core transaction documents govern the transfer of assets, the servicing and collection of receivables, and rights of bondholders, throughout the tenor of the issuance, and typically include:
  - (a) the information memorandum;
  - (b) the assignment agreement entered into between the originator and the issuer (SPE);
  - (c) the collection agreement entered into between a collection agent (typically the originator) and the issuer; and
  - (d) the custody agreement entered into between the issuer and the custodian (collectively the “Transaction Documents”).
- Step five – obtaining FRA approval for the issuance. Once finalised and executed, the Transaction Documents are submitted to the FRA together with other formal requests, corporate, and secretarial documents.
- Additional requirement for green or sustainability bonds. Where the securitisation bonds are structured as green or sustainability-linked bonds, additional disclosures, certifications and environmental-impact documentation must be submitted to the FRA in line with its green bond guidelines.

### 1.3 Applicable Laws and Regulations

Securitisation transactions in Egypt are governed by the Capital Markets Law No 95 of 1992 and its executive regulations. The Capital Markets Law includes a dedicated chapter that sets out the legal basis, structure and requirements for securitisation activities.

The FRA supplements this framework by issuing circulars, resolutions and regulatory guidelines to address procedural and operational matters. The FRA also provides interpretations and clarifications on issues that are not expressly detailed in the law, ensuring consistent application of the securitisation regime in practice.

### 1.4 Special Purpose Entity (SPE) Jurisdiction

Pursuant to the Capital Markets Law, an SPE is defined as the entity that “carries out the activities of issuing tradable bonds in return for financial rights and dues, along with any related securities, assigned to such entity”. These companies are incorporated in accordance with the Capital Markets Law and obtain

their licence from the FRA. Their purpose is exclusively to engage in securitisation activities.

## 1.5 Material Forms of Credit Enhancement

While various forms of credit enhancements are used in Egyptian securitisation transactions, it is important to note that the law does not mandate their inclusion. However, credit enhancements are typically incorporated to strengthen the credit quality of the notes and mitigate risks for investors. Rating agencies assess the adequacy of these enhancements when determining the rating outcome of the issuance.

Credit enhancements may take the form of internal mechanisms, such as subordination and over-collateralisation, or external support, such as cash reserve accounts, default reserve accounts and bank letters of guarantee. These tools work collectively to ensure/support timely payment of principal and interest, even if the underlying assets underperform, thereby enhancing investor protection and market confidence.

In practice, most securitisation transactions in Egypt include a cash reserve account and a default reserve account, each opened with the designated custodian in the name of the SPE for the benefit of the bondholders. The cash reserve account typically serves as the first line of defence against shortfalls caused by payment defaults. Thereafter, the default reserve account, funded with a percentage of the bond value, is utilised.

Later in the life of the issuance, it is common for the originator to issue a bank's letter of guarantee in favour of the bondholders to enable the release of the amounts standing in the default reserve account. Unutilised amounts in both reserve accounts may be invested by the designated custodian in low-risk instruments, such as treasury bills, to maximise returns for the benefit of the transaction.

## 2. Roles and Responsibilities of the Parties

### 2.1 Issuers

In Egyptian securitisation structures, the issuer is a special-purpose entity (SPE) established specifically to purchase receivables from the originator and issue

securitisation bonds backed by those receivables. Its primary role is to act as a bankruptcy-remote vehicle that legally isolates the securitised assets from the originator's credit risk.

The issuer's responsibilities are defined under the Capital Markets Law, its executive regulations and the FRA's decrees. Typical responsibilities include the following.

- Holding and managing the assigned portfolio:
  - (a) receiving the legal assignment of receivables from the originator; and
  - (b) ensuring the assets remain properly segregated and free of encumbrances.
- Co-ordinating with the transaction parties by maintaining contractual relationships for servicing, collection and custody.
- Ensuring compliance and reporting by:
  - (a) complying with all ongoing FRA reporting obligations;
  - (b) providing periodic disclosures on portfolio performances, collections and bond amortisation; and
  - (c) maintaining proper corporate records, approvals and governance.
- Administering reserve accounts and credit enhancements:
  - (a) operating cash reserve and default reserve accounts through the custodian; and
  - (b) applying credit enhancement mechanisms in accordance with the Transaction Documents.
- Ensuring bondholder payments:
  - (a) making timely payments of principal and interest to the bondholders from collected proceeds; and
  - (b) ensuring prioritisation of payments according to the agreed waterfall.

In Egypt, issuers must be SPEs, licensed by the FRA to solely carry out securitisation activity. SPEs are typically joint stock companies.

### 2.2 Sponsors

Sponsorship does not exist in the Egyptian market.

## 2.3 Originators/Sellers

The originator (also referred to as the seller) is the entity that generates, owns and manages the underlying financial assets to be securitised. Its primary role is to sell or assign these receivables to the SPE through a true sale so that the asset becomes legally isolated from the originator's own credit risk.

The originator's responsibilities typically include the following.

- Generating the financial assets (consumer finance receivables, leasing contracts, microfinance loans, mortgage loans, etc), and ensuring that the receivables are valid, enforceable, assignable and free from encumbrances, as required by the laws and the FRA.
- Preparing the portfolio for assignment and compiling detailed asset schedules and performance data, as well as supporting legal and financial due diligence on the portfolio and providing all documents required for the FRA's assignment approval.
- Entering into the assignment agreement with the SPE executing the true sale and delivering all documents evidencing the receivables.
- Making representations and warranties regarding the transferred assets.
- Acting as collection and servicing agent to the portfolio and continuing to collect payments from customers on behalf of the issuer. To be transferred to the custodian in accordance with the agreed waterfall.
- Reporting regularly on portfolio performance and delinquencies.
- Supporting credit enhancements (if required by the structure), such as funding or contributing to cash reserve or default reserve accounts and/or issuing letters of guarantee later in the transaction tenor.
- Providing information required by the FRA and ensuring compliance with disclosure and reporting requirements.

Originators are typically NBFI, including mortgage and mortgage-refinancing lenders, microfinance institutions, consumer finance companies, SME lenders and real estate developers, or any entity generating portfolios of loans or receivables suitable for securitisation.

## 2.4 Underwriters and Placement Agents

In Egyptian securitisation transactions, the underwriter and placement agent must be a financial institution licensed by the FRA. In Egypt, these roles are typically performed by investment banks or bank-affiliated investment arms. These entities have the expertise, licensing and infrastructure to manage bond distribution efficiently and comply with regulatory requirements.

The underwriter, if and when appointed, performs essentially the same role they would in other transactions. Their primary function is to guarantee full subscription to the bonds.

Placement agents generally act as marketing agents for the sale of securities by identifying potential investors.

In practice, considering that most securitisation transactions in Egypt are privately placed, the role of the placement agent is limited to being the party through which subscription occurs.

## 2.5 Servicers

The servicer is the entity responsible for managing and collecting the underlying financial assets on behalf of the issuer.

In most Egyptian securitisations, the originator often acts as the servicer, but third-party servicing arrangements are also possible.

The servicer's responsibilities typically include collecting payments from obligors under the portfolio of the securitisation issuance, tracking delinquencies and defaults, and remitting collected amounts to the custodian or issuer according to the waterfall.

In addition to the above, the servicer maintains records of all receivables, reports regularly to the issuer and updates performance metrics, arrears, prepayments and other portfolio indicators. The servicer also enforces rights against defaulting obligors in accordance with the underlying contracts and information memorandum, and acts in line with applicable laws, FRA rules and the Transaction Documents.

## 2.6 Investors

An investor is the entity that purchases/subscribes to the securitisation bonds issued by the SPE, backed by a specific portfolio. The investor provides the funding for the subscription of the underlying assets and assumes the credit risk associated with the bonds, subject to any credit enhancement mechanisms in the transaction.

The responsibilities of investors in Egyptian securitisation transactions are generally limited, reflecting a passive financing role, which entails:

- investment by virtue of payment of the subscription amount for the bonds at subscription in accordance with the issuance terms;
- monitoring the performance of the bond during its tenor by participating in meetings or exercising rights under the Transaction Documents – eg, approve material amendments or enforcing remedies in case of default; and
- ensuring that their investment complies with applicable internal or regulatory investment guidelines applicable at the time of the subscription and in compliance with the terms of the information memorandum (eg, limits on holding securitisation bonds for banks, or specific activity).

In Egypt, private placements are primarily offered to institutional investors such as banks, insurance companies and investment funds. Under the Capital Markets Law and the FRA's regulations, up to 90% of investors in a securitisation issuance should be financial institutions, while the remaining 10% should consist of natural or legal persons participating in the public placement and are generally limited to "Qualified Investors".

"Qualified Investors" are defined as follows in the FRA regulations.

- High-net-worth individuals:
  - (a) natural persons may also qualify if they have at least three years of experience in finance, credit, or investment; or
  - (b) if they have held financial instruments worth more than EGP500,000 in at least two Egyptian joint-stock companies; and

(c) companies with a paid-up capital of not less than EGP1 million.

- Financial institutions:
  - (a) banks and branches of foreign banks supervised by the Central Bank of Egypt;
  - (b) insurance and reinsurance companies; and
  - (c) companies and entities licensed to engage in stock exchange activities.

## 2.7 Bond/Note Trustees

The role of a bond/note trustee, similar to the concept of trusteeship, is performed in Egypt by a licensed custodian in accordance with the Capital Market Law to keep in custody the documents in relation to the securitisation portfolio. The custodian's rights and obligations are outlined in the information memorandum as well as in the custody agreement entered into between the issuer and the custodian.

The custodian's main responsibilities and obligations include:

- safekeeping and record keeping of all documentation relating to the securitised portfolio;
- maintaining the issuance of designated accounts;
- preparing and submitting monthly reports to the FRA concerning the collection of proceeds, compliance and portfolio performance;
- notifying the FRA in the event of any breach or non-compliance by the servicer; and
- keeping separate books, financial statements and accounts for each securitisation transaction.

## 2.8 Security Trustees/Agents

Please refer to 2.7 Bond/Note Trustees.

## 3. Documentation

### 3.1 Bankruptcy-Remote Transfer of Financial Assets

In Egypt, the transfer of financial rights from the originator to the SPE is perfected through an assignment agreement, entered into between the originator and the SPE, which constitutes a valid and enforceable transfer upon the full subscription of the securitisation issuance to achieve true sale and bankruptcy remoteness.

The documentation used to effect securitisation transactions typically includes the following:

- assignment agreement – the primary agreement effecting the legal assignment of the receivables from the originator to the SPE;
- servicing/collection agreement – by virtue of which, the originator (or a third party) is appointed to service and administer the receivables post-assignment;
- custody agreement – appoints the custodian to hold collections, manage designated accounts (cash reserve, default reserve) and administer the proceeds on behalf of the bondholders;
- information memorandum – required for FRA approval, sets out the structure, asset pool characteristics, risks, payment waterfall and credit enhancement mechanisms; and
- ancillary transaction agreements (depending on the structure) – may include letter of guarantee, corporate approvals.

These documents work collectively to isolate the assets from the originator's balance sheet and protect bondholders in the event of the originator's insolvency.

The documentation package typically covers the following key subject areas.

- Legal assignment/transfer of receivables to the SPE and confirmation that receivables are assignable, valid, unconditional and free of encumbrances, along with requirements for filing or obtaining FRA assignment approval.
- Originator's representations about the quality of enforceability and legal standing of the receivables, absence of disputes prior to assignments and compliance with applicable laws and FRA regulations.
- Obligations of the originator and servicer to maintain proper records, as well as duties of the servicer regarding collection, monitoring, enforcement and remittance of proceeds and its replacement in case of servicing default.
- Preservation of the transaction structure and true-sale nature.
- Cashflow management and reporting to the custodian and SPE.

- Rights of the SPE/custodian/investors to enforce remedies, draw on reserves, or replace transaction parties.
- Limitations of liability for the SPE to preserve its bankruptcy-remote status.
- Rules governing the credit enhancement mechanics, including cash reserves, default reserve accounts or letters of guarantee, in addition to the trigger events for utilisation of credit enhancement.
- FRA-mandated disclosures and periodic reporting requirements.

## 3.2 Principal Warranties

In Egyptian securitisation transactions, the principal warranties generally relate to the validity, ownership and enforceability of the underlying assets. The originator warrants that all agreements included in the securitised portfolio are valid, legally binding and have not been terminated or cancelled. It also confirms that there are no existing claims, disputes or arrears affecting the transferred assets.

The originator further guarantees full legal ownership of the receivables and related rights and securities, confirming that they are free from any encumbrances or prior assignments. It must ensure that all debtors have received their rights under the agreement in full and that the portfolio was not selected in a way that could materially harm investors' interests and that the transfer complies with all laws, regulations, contractual obligations, and that all required approvals are duly obtained.

To secure investors' rights, the warranties are supported primarily contractually. In addition, credit enhancement mechanisms (such as reserve accounts, letter of guarantee) may also be drawn up. These protections are administered through the custodian and other transaction parties to safeguard investor interests in case of breach or misrepresentation.

## 3.3 Principal Perfection Provisions

The perfection provisions ensure that the transfer of the receivables to the SPE is legally effective and enforceable against third parties and the originator's creditors, after obtaining the FRA's approval on the subscription of the securitisation transaction.

### 3.4 Principal Covenants

Key covenants in Egyptian securitisations include maintaining valid and enforceable receivables, proper servicing and cashflow remittance, timely reporting, compliance with FRA and legal requirements, and preserving the SPE's true-sale/bankruptcy-remote status.

Enforcement is mainly contractual, through indemnification, use of reserve accounts or guarantees, servicer replacement, or declaring an event of default to protect investors.

### 3.5 Principal Servicing Provisions

In Egypt, the servicing provisions are typically set out in the servicing agreement and the information memorandum. The principal servicing provisions generally include the collection and administration of receivables to designated collection accounts.

The servicer must immediately report any delays, defaults, or material issues affecting the portfolio to the custodian. It is also responsible for maintaining accurate and updated records of all financing contracts, collections and outstanding balances, and for ensuring that all debtors are duly notified in case of changes to collection arrangements.

These servicing provisions are enforced through continuous monitoring by the custodian and FRA.

### 3.6 Principal Defaults

Principal defaults that are commonly incorporated in securitisation documents in Egypt typically include failure to remit collections, breach of representations or warranties, failure to maintain credit enhancements and servicer non-performance.

Enforcement is contractual: defaults may trigger an event of default, allowing the SPE, custodian, to draw on reserve accounts or guarantees, replace the servicer, seek indemnification or take legal action to protect investors.

Additionally, defaults can arise from the underlying asset contracts, which vary from one portfolio to another depending on the terms of each contract; in this case, the default is by the debtors.

### 3.7 Principal Indemnities

In Egyptian securitisation, indemnities protect the SPE and bondholders if the originator fails to meet its obligations. Indemnities may vary from one transaction to the other but they usually include compensation for losses. Bondholders can claim damages for losses caused by non-compliance with securitisation documents or discovered non-conformities at the effective date of the assignment.

The SPE has the right to enforce these indemnities contractually.

### 3.8 Bonds/Notes/Securities

A securitisation issuance, at a minimum, must have in place the following documents:

- information memorandum;
- assignment agreement;
- collection agreement;
- custody agreement; and
- back-up servicer agreement.

Such documentation covers inter alia the assigned portfolio, the effective date of the assignment, the rights and obligations of each party, payment terms (waterfall), events of default and remedies, covenants, disclosures and rating.

### 3.9 Derivatives

In the context of Egyptian securitisation and structured finance, the use of derivatives is practically non-existent.

### 3.10 Offering Memoranda

In Egypt, the offering memoranda (more commonly referred to as the information memorandum) is required whenever a securitisation transaction is in place, whether publicly or through a private placement. In all cases, the IM requires FRA approval and needs to be stamped with the FRA's seal.

## 4. Laws and Regulations Specifically Relating to Securitisation

### 4.1 Specific Disclosure Laws or Regulations

Egypt has a dedicated securitisation regulatory regime that includes specific disclosure requirements applying to the SPEs, originators, servicers and custodians.

Disclosure is governed primarily by the Capital Markets Law and its executive regulations, as well as a set of FRA decrees that specifically address securitisation.

The above-mentioned laws and decrees provide the legal basis for establishing an SPE, mandatory information regarding the receivables pool, risk factors, credit enhancements as well as ongoing reporting to FRA and investors.

### 4.2 General Disclosure Laws or Regulations

Even where no specific disclosure laws exist for a securitisation transaction, general rules under the Capital Markets Law and FRA regulations apply. These rules require that all material information relevant to investors is disclosed accurately and completely. For example, the FRA requires confirmation that all securitised assets are free from encumbrances and that clients' credit scores or relevant financial information is verified. Additional disclosures depend on whether the transaction is a private placement or listed on the EGX.

### 4.3 Credit Risk Retention

Credit enhancement protects investors by reducing risk and supporting timely payment of principal and interest. Internal measures include over-collateralisation and segregated accounts for collections, payments and reserves. External measures include letters of guarantee, insurance policies and promissory notes. Together, these mechanisms ensure investor protection, liquidity and confidence in the securitisation structure. Please refer to **1.5 Material Forms of Credit Enhancement**.

### 4.4 Periodic Reporting

Under the Capital Markets Law and FRA regulations, parties involved in a securitisation transaction must submit regular reports to ensure ongoing supervision

and transparency. The servicer (originator) must prepare a monthly report to the custodian detailing all collections from the securitised portfolio, including timely payments, prepayments and late payments, accompanied by supporting schedules. Any amounts collected must be transferred to the designated collection account in compliance with the information memorandum.

The custodian must then prepare its own monthly report and submit it to the FRA, the securitisation company. This report includes data such as cumulative collection ratios, outstanding bond balances and the expected receivables after prepayments.

The custodian is also required to immediately notify the FRA of any default, delays or material breaches by the servicer. Failure to comply with these reporting obligations may lead to regulatory action or replacement of the defaulting party, ensuring that bondholders' rights and the integrity of the securitisation process are maintained.

### 4.5 Activities of Rating Agencies

Credit rating agencies are regulated under Capital Markets Law No 95 of 1992 and its executive regulations. Their activities, including those related to securitisation, are supervised by the FRA, which licences and monitors compliance with standards of independence, transparency and reporting. Currently, Meris (Middle East Rating & Investors Service), established as a joint venture with Moody's Ratings, is the only actively operating licensed rating agency in Egypt.

### 4.6 Treatment of Securitisation in Financial Entities

The Central Bank of Egypt sets the capital and liquidity requirements that apply to banks when they hold positions in securitisation transactions. These rules distinguish between cases where a bank acts as an investor and cases where it acts as an originator. For other regulated financial entities, such as insurance companies, there are currently no publicly available regulations that specifically address the capital or liquidity treatment of securitisation exposures.

## 4.7 Use of Derivatives

Derivative instruments are not commonly used in Egyptian securitisation transactions as mentioned in **3.9 Derivatives**. The Capital Markets Law does not include any specific regulatory framework governing the use of derivatives by an SPE.

## 4.8 Investor Protection

Investor protection in securitisation in Egypt is primarily ensured through the information memorandum and the FRA's review thereof, where all parties to the transaction make detailed disclosures and confirm that they will perform their roles in accordance with the FRA's requirements. These disclosures allow investors to make informed decisions and ensure transparency across the transaction.

In addition, all documents, commercial papers and securities related to the securitised portfolio held by the custodian are considered the property of the bondholders. They do not form part of the financial liability of the SPE and are not available to the creditors of either the SPE or the originator.

The FRA is responsible for enforcing these investor-protection rules and imposes strict penalties in cases of fraud, misrepresentation or misleading disclosures. Sanctions may include fines of up to EGP20 million or twice the amount gained, along with any applicable criminal liability arising from such fraudulent conduct.

## 4.9 Banks Securitising Financial Assets

Banks must follow the regulations of the Central Bank of Egypt, which governs their licensing, prudential requirements and disclosure obligations. When a bank intends to securitise its financial assets, it must first obtain CBE approval in line with these rules. After this approval, the securitisation transaction itself is regulated by the FRA under the Capital Markets Law. The FRA oversees the structure, documentation and disclosures of the issuance. As a result, banks must comply with both CBE and FRA requirements when undertaking any securitisation.

## 4.10 SPEs or Other Entities

SPEs are defined under Article 41 bis of the Capital Markets Law as entities that carry out the issuance of tradable bonds in exchange for assigned financial

rights and related securities. Their establishment must comply with the requirements set out in the Capital Markets Law and its executive regulations. When choosing an SPE or similar entity for a securitisation, practical considerations such as bankruptcy remoteness, tax treatment and the type of securitisation (revolving or fixed pool) are also taken into account to ensure investor protection and regulatory compliance. Please refer to **1.4 Special Purpose Entity (SPE) Jurisdiction**.

## 4.11 Activities Avoided by SPEs or Other Securitisation Entities

In accordance with the Capital Markets Law, SPEs are established solely for the purpose of conducting securitisation activities. Their role is strictly limited to the activities authorised by the law, ensuring compliance with the regulatory framework.

## 4.12 Participation of Government-Sponsored Entities

Government-sponsored entities, such as the New Urban Communities Authority (NUCA), engage in securitisation transactions to monetise receivables or future cash flows. They follow the standard securitisation process, including transferring receivables to an SPV, FRA approval and custodian oversight. All transactions comply with the Capital Markets Law and FRA regulations

## 4.13 Entities Investing in Securitisation

Please refer to **2.6 Investors**.

## 4.14 Other Principal Laws and Regulations

Securitisation in Egypt is primarily governed by Capital Markets Law No 95 of 1992 and its executive regulations. The FRA is the principal regulatory body overseeing capital markets and securitisation activities. The Capital Markets Law provides a comprehensive framework for capital market operations, while securitisation is specifically regulated under Chapter Three, Section Three, concerning securitisation companies and the relevant executive regulations.

Several FRA decrees and circulars provide further guidance and requirements for securitisation transactions.

The Central Depository Law can also be relevant if the bonds will be listed in the EGX. This is in addition to the listing and trading rules of the EGX.

## 5. Synthetic Securitisation

### 5.1 Synthetic Securitisation Regulation and Structure

Synthetic securitisation is not recognised under Egyptian laws.

## 6. Structurally Embedded Laws of General Application

### 6.1 Insolvency Laws

Since securitisation transactions in Egypt follow the true-sale model, the insolvency of the originator has no effect on securitisation. Once the assignment of the underlying assets to a securitisation issuance is effective, such assets become property of the SPE and are reflected on its financial records.

Typically, in Egypt, the originator is appointed as the collector/servicer after the closing of the securitisation transaction, and as such the insolvency thereof constitutes an event of default, and a back-up collector/servicer is appointed. It is noteworthy that in most cases, such back-up collector is appointed at the outset of a transaction to avoid any effect the insolvency of the originator might have on the transaction.

### 6.2 SPEs

In the context of the Capital Markets Law, an SPE is considered a securities company and as such can only be incorporated as either a joint stock or limited liability company, with a minimum paid-up capital of EGP5 million. At least 50% of its share capital must be owned by corporate shareholders, at least 25% of which must be financial institutions.

Further, its accounts must be audited by two auditors from those registered in a specific register, prepared for this purpose by the FRA and the Accountability State Authority, noting that no single auditor may audit the accounts of more than two SPEs at the same time.

Within the Egyptian regulatory framework, the legal covenants and obligations imposed on all parties to the securitisation ensure a minimum standard of transparency and proper disclosure of all risks associated with investment in the securitisation bonds.

SPEs must be structured to achieve bankruptcy remoteness and avoid consolidation with the originator for legal, accounting and investor purposes. Desirable aspects typically include restricting the SPE's activities, so it engages only in the securitisation transaction and does not take on unrelated operations or debt.

### 6.3 Transfer of Financial Assets

In accordance with the provisions of the Capital Markets Law, the assignment of a securitisation portfolio, in addition to being effective, final and unconditional, must result in the full transfer of all financial assigned rights, receivables and underlying guarantees. The assignment must be documented in an agreement approved by the FRA. Further, the originator shall bear absolutely no responsibility for the performance, enforcement or collectability of such rights post-assignment. It is important to highlight, however, that in most transactions, the parties set the effective date of the assignment as the date the issuance is fully subscribed.

### 6.4 Construction of Bankruptcy-Remote Transactions

There are no other options for constructing a bankruptcy-remote transaction other than that which is outlined above.

### 6.5 Bankruptcy-Remote SPE

Pursuant to the Capital Markets Law and as reflected in the securitisation documents, all amounts, documents, and securities and commercial papers related to the securitisation portfolio are the property of the bondholders and they do not enter into the financial liability of the SPE nor into the general guarantee of the originator or the SPE's creditors. All the assets of the securitised portfolio shall be managed and held by the custodian on behalf of the bondholders as per the applicable Capital Markets Law and its executive regulations. Further, aside from the financial rights and receivables subject to the securitisation portfolio, the

bondholders are not entitled to execute against any of the assets of the SPE or the originator.

## 7. Tax Laws and Issues

### 7.1 Transfer Taxes

The transfer of financial assets to the SPE is exempt from stamp duty, in accordance with Article 41 bis 6 of the Capital Markets Law.

### 7.2 Taxes on Profit

The firm does not advise on tax matters.

### 7.3 Withholding Taxes

The firm does not advise on tax matters.

### 7.4 Other Taxes

The firm does not advise on tax matters.

### 7.5 Obtaining Legal Opinions

The firm does not advise on tax matters.

## 8. Accounting Rules and Issues

### 8.1 Legal Issues With Securitisation Accounting Rules

By law, any company incorporated in Egypt must follow the Egyptian Accounting Standards (EAS). Moreover, all the relevant parties to a securitisation transaction must keep separate accounts for the transaction and must not commingle those accounts with their own or any other accounts in any way.

### 8.2 Dealing With Legal Issues

In Egyptian securitisation transactions, lawyers often provide legal opinions, which focus on structural, enforceability and regulatory-compliance aspects (true sale, enforceability, segregation of assets), while explicitly excluding or qualifying commercial or market-practice matters.

## Trends and Developments

### Contributed by:

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**Matouk Bassiouny & Hennawy** was established in 2005 and is a leading full-service business law firm in Egypt and the MENA region, with offices in Algeria, Sudan, the UAE and a New York satellite office focused on international dispute resolution. The firm also has country desks for Libya and South Korea. With over 230 lawyers trained in both common and civil law systems, the firm provides services in English, Arabic, French and Korean. Its Finance and

Projects group, led by regional managing partner Mahmoud S Bassiouny, advises clients in sectors like renewable energy, oil and gas, power and infrastructure. The firm's corporate and M&A practice group, co-headed by founding partners Omar S Bassiouny and Tamer El Hennawy, supports clients with all aspects of corporate transactions, including due diligence, negotiation and completion, across various industries throughout the MENA region.

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Securitisation has become one of the most dynamic financing tools in Egypt's non-bank financial sector. Over the past five years, the market has undergone a significant transformation driven by regulatory reform, an expanding origination base, and growing investor (domestic and foreign) demand for structured instruments. Despite economic pressures, securitisation activity has continued to grow, helping companies manage liquidity, diversify funding sources and optimise balance sheets.

This article highlights the most important legal, regulatory and market trends shaping securitisation in Egypt today. It also provides insight into emerging product structures, the evolving role of regulators, and the expected direction of this market over the coming years. The aim is to give clients and market participants a clear understanding of the current environment and the opportunities available.

### Overview of the Egyptian Securitisation Framework

Securitisation in Egypt operates within the framework of:

- the Capital Market Law and its executive regulations;
- decrees issued by the Financial Regulatory Authority (FRA); and
- sector-specific laws for lease, mortgage, factoring and consumer finance receivables.

Under this framework, securitisation is based on the true sale of receivables from an originator to an SPV.

The SPV then issues securities to investors, with the underlying receivables serving as collateral.

The FRA is the supervisory authority responsible for:

- licensing and overseeing SPVs;
- approving securitisation issuances (by virtue of reviewing and approving the portfolio subject to the securitisation and its information memorandum);
- setting risk retention, disclosure and credit rating requirements; and
- ensuring investor protection.

In recent years, the FRA has played an increasingly active role in modernising the securitisation market. This has included approving new asset classes, enhancing transparency and encouraging financial innovation.

Traditionally, the Egyptian market focused on real estate receivables, financial leasing portfolios and mortgage receivables. Today, however, the market has diversified significantly, with securitisation now widely used across consumer finance, auto loans, future cash flows, microfinance portfolios and SMEs lending. This diversification has been essential to the market's sustained growth.

### Market Growth and Deal Activity

#### *Increasing volumes despite economic pressures*

Even in the face of inflationary pressures and currency volatility, Egypt has witnessed steady securitisation activity. Securitisation allows companies to access funding without increasing borrowing on-balance

sheet, which can be especially valuable in challenging macroeconomic conditions.

Several factors have contributed to this momentum, including high demand from local investors seeking fixed-income returns, strong appetite among banks for investment-grade securitised notes, a broadening pool of eligible assets and companies' need for alternative, cost-efficient financing.

### *Expansion of non-bank financial institutions (NBFIs)*

NBFIs have become key drivers of securitisation activity and many leading NBFIs now rely on it as a recurring source of liquidity and balance-sheet management.

Notable trends include:

- consumer finance companies using securitisation as a regular funding model;
- leasing companies issuing increasingly frequent tranches; and
- microfinance institutions entering the securitisation market for the first time.

This shift has helped securitisation move from a specialist product to a mainstream financing tool.

### *Maturing investor appetite*

The investor base for securitised instruments continues to broaden. While banks remain the primary buyers, uptake from insurance companies, pension funds and investment funds is increasing.

Investors are particularly attracted to securitised instruments because they typically offer predictable cash flows, credit ratings often higher than those of the originators and lower risk due to collateralisation and structural enhancements.

## **Regulatory Developments Shaping the Market**

### *Introduction of future-flow securitisation*

One of the most important regulatory developments has been the approval of future-flow securitisation. This structure allows companies with recurring revenues to securitise future receivables that have not yet been generated. It is particularly relevant for telecoms

operators, utilities and infrastructure companies, education and healthcare providers, and large corporates with predictable cash flows.

### *Securitisation of non-traditional assets*

The FRA has gradually approved securitisation of non-traditional or previously restricted asset classes. These include service fees, subscription-based contracts and club memberships.

The shift reflects the regulator's willingness to adapt to market needs and support a more innovative financial environment.

### *Enhanced oversight of SPVs*

Recent updates have focused on strengthening SPV governance, ensuring independence from originators, improving reporting and disclosure standards and standardising accounting treatment.

These measures aim to protect investors while promoting greater transparency.

### *Credit rating requirements*

All securitisation issuances must undergo credit rating by a licensed rating agency. The FRA has reinforced the requirement that each tranche be rated individually, any credit enhancements be clearly disclosed and ratings be regularly updated.

This has improved market discipline and investor confidence.

## **Key Structural Trends in the Egyptian Market**

### *Multi-issuance and programme structures*

Many large originators now issue under multi-issuance programmes. This enables faster execution, lower overall transaction costs, predictability of funding and regular access to capital markets.

For frequent issuers, the programme model has become the market standard.

### *Use of credit enhancements*

To attract investors and achieve higher credit ratings, structures often incorporate cash reserve accounts, letters of guarantee and over-collateralisation.

These tools help mitigate risk and strengthen the credit profile of each issuance.

### *Rise of shorter-duration issuances*

Given current economic conditions, many issuances favour shorter tenors. This trend reflects investor preference for faster principal repayment, issuers' desire to reduce exposure to long-term uncertainty and a natural fit with consumer finance and auto loan portfolios.

### *Digitalisation and data availability*

Improved data quality has been instrumental to the sector's growth. Companies increasingly use digital onboarding and loan-management platforms specially after the Fintech Law entered into effect in 2022, making portfolio analysis more accurate, due diligence more efficient and cash-flow modelling more reliable.

### **Emerging Asset Classes and Innovative Structures**

Sustainable finance has become a priority in Egypt's broader economic development agenda. As a result, there is growing interest in using securitisation which is in compliance with sustainability.

### **Challenges and Considerations for Market Participants**

Because the value of securitised instruments depends on cash collections, investors closely monitor servicer reliability, collection systems and portfolio delinquency rates. Originators must invest in robust infrastructure to ensure investor confidence.

The approval process requires detailed documentation and close engagement with the FRA. Although the regulator has streamlined certain procedures, transaction timelines can still be affected by compliance checks, portfolio reviews and rating agency processes, and transaction teams must plan accordingly.

Despite strong growth, securitisation remains a sophisticated product. Companies considering securitisation often require guidance to understand how true sale works, the role of SPVs, disclosure obligations and costs versus benefits. Advisers and arrangers play a critical role in building market knowledge.

### **Opportunities for Clients and Investors**

For issuers, securitisation provides off-balance-sheet financing, improved liquidity, reduction of concentration risk and access to competitive pricing. This diversity of funding sources makes it attractive for both financial and non-financial companies.

Securitisation contributes to the broader development of Egypt's capital markets by deepening the debt market, creating new investment instruments and enhancing market liquidity. This supports long-term economic growth and financial stability.

As structures become more sophisticated and transparent, the market is increasingly attractive to regional investors, international funds and development finance institutions. Foreign participation could become a major driver of growth in the coming years.

### **Outlook for the Egyptian Securitisation Market**

The underlying fundamentals of the market – rising credit penetration, strong investor appetite and supportive regulation – remain robust. As a result, securitisation is expected to continue expanding across consumer and retail finance, real estate and mortgage portfolios, microfinance portfolios and services and subscription-based sectors.

Market maturity will lead to more sophisticated structures such as hybrid securitisation–sukuk transactions, revolving pool structures and multi-originator transactions.

Given Egypt's commitments to climate and energy initiatives, the market is likely to see sustainability-linked securitisation and social impact securitisation (eg, education and healthcare receivables).

Improved digital infrastructure will support more accurate risk modelling, faster regulatory submissions and better investor disclosures.

Digitalisation will enhance the credibility and efficiency of future transactions.

### **Conclusion**

Securitisation has firmly established itself as one of Egypt's most important non-bank financing tools.

Supported by regulatory innovation, a growing origination base and expanding investor interest, securitisation continues to evolve in both scale and sophistication. The introduction of future-flow structures, the rise of consumer finance portfolios and the exploration of green and sustainable instruments all demonstrate a market that is rapidly adapting to economic needs and global financial trends.

For companies, securitisation offers reliable and flexible funding without increasing balance-sheet leverage. For investors, it provides access to diversified, collateral-backed instruments with attractive risk-return profiles. And for the Egyptian capital market as a whole, securitisation contributes to deeper, more resilient financial architecture.

As economic conditions evolve, securitisation is expected to remain a central pillar of corporate financing strategies in Egypt – providing liquidity, enabling growth and supporting long-term market development.

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