

ADSERO Contributes to the Chambers & Partners Debt Finance Guide



Hossam Gramon
Partner



Karima Seyam
Senior Associate



Nour ElKholy
Junior Associate

EGYPT

Law and Practice

Contributed by:

Hossam Gramon, Karima Seyam and Nour El Kholy
ADSERO-Ragy Soliman & Partners



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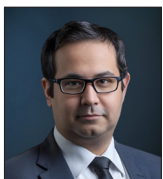
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ADSERO-Ragy Soliman & Partners is a full-service, leading independent law firm in Egypt, advising top-tier financial institutions, sponsors, and corporate borrowers on complex debt finance and capital markets transactions across a wide range of sectors. The firm has developed broad expertise and regularly acts on high-value, first-of-their-kind transactions, including multi-layered capital structures, cross-border financings, and regulatory-driven financings. Its market-leading position is underpinned by a multidisciplinary team of over 140 professionals with extensive experience navigating the

legal and commercial nuances of debt finance transactions. ADSERO works closely with lenders, investment funds, development finance institutions, and strategic borrowers, advising on inter-creditor arrangements, security and guarantee structuring, and regulatory compliance across Egypt's evolving financial landscape. Since its inception, the firm has been recognised by peers and clients as one of the top legal service providers, a testament to its partners' and senior lawyers' long-standing expertise and reputation.

Authors



Hossam Gramon is a partner at ADSERO-Ragy Soliman & Partners and leads the firm's banking and finance practice. With over two decades of experience, he is a market

expert in sovereign and private bonds, sukuk issuances, banking regulation, Islamic finance, securitisation, project finance, and financial institution licensing. He advises major financial syndicates and global banks, including Goldman Sachs, JP Morgan, EBRD, Credit Suisse, HSBC Egypt, and CIB. Recognised as an authority in non-banking financial services, Hossam provides strategic counsel on capital markets, debt structuring, trade finance, and asset financing across Egypt's evolving financial landscape.



Karima Seyam is a senior associate in ADSERO's banking and project finance practice. Dually qualified in Egypt and England & Wales, she specialises in banking, project

finance, fintech, capital markets, and corporate transactions. Karima advises local and international banks, investment firms, and corporations on loan agreements, financing structures, and regulatory matters. Her expertise includes sovereign and private bonds, sukuk issuances, Islamic finance, securitisation, derivatives, asset financing, trade finance, and construction contracts. She plays a key role in structuring cross-border financial transactions and navigating regulatory frameworks across Egypt's evolving financial landscape, ensuring clients receive strategic legal guidance tailored to their objectives.



Nour El Kholy is a junior associate in ADSERO's banking and project finance department. Since joining the firm, Nour has worked on reviewing loan, facility and escrow agreements, drafting and reviewing legal opinions and memos, undergoing processes for due diligence, and providing CBE-related advice to various clients.

ADSERO-Ragy Soliman & Partners

1 Gabalaya Street
6th Floor
Zamalek
Cairo
Egypt, 11211

Tel: +20 2 2735 3203
Fax: +20 2 2737 7116
Email: info@adsero.me
Web: www.adsero.me

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1. Market

1.1 Debt Finance Market Performance Resilience Amid Macroeconomic Pressures

The debt finance market in Egypt has remained resilient over the past year despite macroeconomic headwinds and tightening global liquidity conditions. While syndicated lending volumes have moderated compared to previous years, local and regional financial institutions continue to support strategic borrowers, particularly in the infrastructure, energy, and industrial sectors. The market has seen a growing preference for structured finance solutions and club deals, driven by a heightened focus on risk allocation and pricing discipline. Corporate borrowers have increasingly turned to syndicated loans, export credit agency-backed financing, and alternative funding sources, while financial institutions have navigated evolving regulatory constraints and risk-pricing challenges.

Policy Environment and Monetary Conditions

The Egyptian government's emphasis on fiscal consolidation and its engagement with multilateral lenders, including the International Monetary Fund (IMF) under the Extended Fund Facility programme, have also shaped the current credit environment. In tandem, the Central Bank of Egypt (CBE) has continued implementing monetary tightening measures in response to inflationary pressures and currency devaluation, resulting in a more cautious lending approach from domestic banks.

Shifting Preferences

Notably, there has been an uptick in private placements and bilateral financings, with borrowers seeking speed, flexibility, and tailored terms in a challenging funding landscape. Although international lenders have demonstrated selective appetite, transaction timelines and

due diligence expectations have lengthened, reflecting evolving risk parameters and regulatory requirements.

1.2 Market Players

Dominance of Local Banks and Institutional Lenders

Egypt's debt finance market is characterised by a mix of local banks, regional lenders, and an emerging presence of international credit providers. Local commercial banks remain the primary source of credit, often acting as arrangers, underwriters, and facility agents in sovereign and corporate transactions. Their deep familiarity with domestic credit dynamics and regulatory frameworks enables them to navigate complex structures, particularly in state-linked and infrastructure transactions.

In parallel, development finance institutions (DFIs) and export credit agencies (ECAs) continue to play a critical role in strategic sectors, particularly renewable energy, logistics, and healthcare. Their involvement often catalyses co-financing from commercial banks and enhances creditworthiness in high-capex projects.

Emergence of Alternative Lenders

Direct lenders and debt funds are still in their development stage, although regional private capital platforms and Gulf-based investment funds are showing growing interest. These alternative lenders gradually gain ground by offering more bespoke capital solutions and participating in junior tranches or mezzanine layers of hybrid structures, particularly in transactions involving private equity sponsors.

The Expanding Role of Non-Bank Financial Institutions

Securitisation, consumer finance, and factoring companies have also become increasingly

active, with regulatory frameworks evolving to facilitate non-bank financial institutions' participation. The Financial Regulatory Authority (FRA) has issued a series of executive regulations and guidelines over the past two years to enhance market depth and encourage diversified credit intermediation channels. New finance vehicles, such as crowdfunding, are expected to make their first appearance this year, as announced by the FRA.

1.3 Geopolitical Considerations

The Ongoing Russia-Ukraine Conflict

The debt finance market in Egypt has not been immune to the broader geopolitical and macroeconomic turbulence shaping global credit markets. The war in Ukraine and conflict in the Middle East have disrupted trade flows, driven commodity price volatility, and placed upward pressure on inflation and interest rates – all of which have had downstream effects on borrower cash flows and lender risk assessments.

Increased scrutiny from lenders has resulted in more rigorous due diligence processes and tighter documentation standards, particularly around material adverse change (MAC) clauses, force majeure provisions, and compliance undertakings. These trends have led to elongated transaction timelines and a shift toward more conservative covenant packages, especially in cross-border deals.

Rising Interest Rates

The elevated interest rate environment – both globally and domestically – has prompted borrowers to reassess their capital structures, with some opting to refinance in local currency or restructure maturity profiles. Egypt's CBE interest rate hikes have materially increased the cost of borrowing, further pushing demand toward alternative financing channels and encourag-

ing greater use of structured and asset-based lending.

COVID-19 Lasting Effects

While the direct impact of the COVID-19 pandemic has waned, its long-tail effects remain visible in certain sectors, particularly in tourism and retail-linked real estate. Borrowers in these sectors continue to face increased lender scrutiny, and financing structures often include tighter cash controls and security packages.

2. Types of Transactions

2.1 Debt Finance Transactions

Acquisition Finance: A Key Market Driver

Acquisition finance continues to be a key driver of activity, particularly in sectors such as health-care, education, manufacturing, and financial services, where strategic investors and private equity sponsors remain active despite broader macroeconomic headwinds. Transactions in this space are typically structured as senior secured loans, occasionally with mezzanine or vendor financing layers in more complex transactions.

Project Finance and Infrastructure Development

Project finance also remains a central component of the debt market, particularly in energy, utilities, and transportation. Egypt's strong pipeline of public-private partnership (PPP) projects, combined with the government's ongoing infrastructure investment agenda, has created sustained demand for long-tenor debt structures. Renewable energy, desalination plants, and logistics infrastructure have attracted a mix of commercial bank debt and DFI support, with structures frequently incorporating multi-tiered capital stacks and sovereign guarantees or viability gap funding.

Asset-Based Lending and Securitisation

Asset-based lending has grown in relevance, particularly among mid-sized borrowers seeking working capital facilities secured against receivables, inventory, or equipment. The evolution of Egypt's movable collateral framework and the establishment of an electronic registry under the Movable Collaterals Law No 115 of 2015 have enhanced the legal infrastructure supporting such transactions, although market depth remains in the early developing stages. In parallel, securitisation has seen marked growth over the past two years, spurred by regulatory reform and increased activity from non-bank financial institutions. Recent developments in the FRA's guidelines have supported more diverse structures, including future flow securitisations and hybrid issuance models.

Structured Finance and Hybrid Capital Solutions

The market has gradually increased in structured finance and hybrid capital solutions, particularly sponsor-backed deals. These transactions often blend debt and equity characteristics, offering greater flexibility for borrowers and expanded risk-adjusted return profiles for lenders. While still relatively new to the debt finance market, such structures are expected to play an increasingly important role in complex financings as alternative capital providers deepen their presence in the market.

3. Structure

3.1 Debt Finance Transaction Structure Structuring Approaches

Debt finance transactions in Egypt are typically structured as bilateral or syndicated bank loans, with deal architecture shaped by the borrower's nature, the transaction's size, and sector-spe-

cific considerations. In large-scale project and infrastructure financing, multi-tiered capital stacks are increasingly common, often combining senior secured debt with mezzanine layers and, in certain cases, development finance or export credit agency involvement. In acquisition finance, lenders tend to favour Holdco-Copco structures supported by upstream guarantees and security over shares and assets. Transactions are frequently designed to accommodate cross-border considerations, emphasising cash flow ring-fencing, inter-creditor arrangements, and bespoke covenant frameworks.

Common Types of Facilities

The most widely used forms of debt financing in the Egyptian market remain term loan facilities, revolving credit facilities, and syndicated loan structures. Local banks, acting either individually or in consortium, continue to dominate the lending landscape, particularly for corporate finance and infrastructure projects. Islamic finance instruments, including Murabaha and Ijara facilities, are also gaining prominence, driven by rising demand for Sharia-compliant structures and the increasing participation of Islamic banks in large financing transactions. Meanwhile, composite facilities that integrate term loans, working capital lines, and contingent instruments such as letters of credit or guarantee facilities have become increasingly prevalent, particularly in industrial and export-oriented sectors.

Syndicated Loans Versus Debt Securities

Syndicated loans continue to hold a structural advantage in the Egyptian market. Their relationship-driven nature and suitability for bespoke structuring make them a preferred option for both lenders and borrowers. However, syndicated loans often entail higher upfront fees, more restrictive covenant packages, and more complex administrative arrangements than capi-

tal market alternatives. Debt securities – such as corporate bonds and sukuk (an Islamic financial certificate) – offer certain advantages, including access to a wider investor base, longer tenors, and potentially more cost-efficient capital. Nonetheless, the development of Egypt's corporate bond market has been tempered by regulatory constraints, investor conservatism, and the relatively high benchmark interest rate environment.

Recent reforms introduced by the FRA, including streamlined issuance processes and enhanced sukuk regulations, aim to address these challenges.

Investor Participation

Investor participation in debt finance varies across different debt finance transactions. Local commercial banks remain the primary source of credit, with development finance institutions and regional lenders participating in larger syndicated or sector-specific transactions. In the capital markets space, institutional investors such as insurance companies, pension funds, and regional asset managers have shown increasing interest, particularly in structured sukuk and medium-term note issuances. Although the number of local retail investors in the debt capital markets is currently limited, ongoing initiatives to improve market access and enhance investor protections may encourage broader participation in the medium term. Simultaneously, there is a gradual increase in the presence of private credit and structured equity providers offering alternative capital solutions, especially in more complex transactions such as private equity-backed deals and hybrid capital structures.

4. Documentation

4.1 Transaction Documentation

International Practice Alignment

Debt finance transactions in Egypt are generally governed by standard documentation frameworks that align with international market practice but are tailored to reflect local regulatory and commercial realities. Facility agreements are most commonly based on the Loan Market Association (LMA) format, particularly in larger syndicated transactions or those involving international lenders. Bilateral loan agreements tend to be less standardised and more heavily negotiated, particularly when local banks are the sole lenders.

Core Documentation and Transaction Tailoring

Facility documentation typically includes:

- the loan agreement;
- security documents;
- inter-creditor agreements (where applicable);
- guarantee instruments; and
- ancillary documents such as fee letters and account control agreements.

In project finance transactions, documentation also encompasses:

- direct agreements with counterparties and sponsors;
- cash flow waterfall arrangements, and detailed security packages over project assets;
- revenues; and
- shares.

The form and complexity of documentation vary depending on the borrower's nature, the financ-

ing's purpose, and the deal's structure. Increasingly, lenders are incorporating:

- enhanced compliance provisions, particularly around anti-money laundering, sanctions; and
- environmental, social, and governance (ESG) considerations, reflecting both domestic regulation and lender policy requirements.

4.2 Impact of Types of Investors Influence of Local Commercial Banks

The nature of the participating lenders or investors significantly influences the structure and terms of the respective bank loan facility. The documentation typically aligns with domestic regulatory requirements and banking practices when the lender group consists mainly of local commercial banks. This focus includes standard security and guarantee packages, traditional financial covenants, and a conservative approach to risk allocation.

Terms Driven by International Lenders and DFIs

In contrast, transactions with international banks or development finance institutions typically include more complex covenant frameworks, enhanced representations and warranties, and additional commitments to align with the lender's internal risk protocols and institutional lending standards. Such deals may also include additional layers of environmental and social due diligence, particularly in infrastructure and energy projects involving DFIs or export credit agencies.

Customisation in Private Credit and Alternative Capital Deals

When private credit funds or alternative capital providers participate in a transaction, there is often a greater emphasis on bespoke terms, including:

- tighter cash flow controls;
- more robust event of default triggers; and
- tailored financial covenants.

These investors may also seek enhanced rights in relation to consent thresholds, voting mechanics, or exit provisions, particularly where they occupy a junior position in the capital structure or are operating within a club deal or unitranche arrangement.

4.3 Jurisdiction-Specific Terms The Need for Local Law Documentation

Cross-border financings involving Egyptian borrowers often entail jurisdiction-specific terms to ensure enforceability and compliance with local legal and regulatory requirements. One of the most significant considerations is the requirement that facility agreements governed by foreign law are not, in and of themselves, sufficient to perfect local security interests. As a result, parallel Egyptian law-governed security documents are typically executed to ensure enforceability under local law.

Perfection and Registration Requirements

Transactions frequently include Egyptian law security documents over movable and immovable assets, shares, and bank accounts, all of which must be registered in accordance with applicable laws, such as the Movable Collaterals Law No 115 of 2015 and Real Estate Registration Law No 114 of 1946. Where security is granted over movable assets, perfection typically requires registration with the electronic registry administered by the FRA. Certain types of pledges, such as share pledges in joint stock companies, will also require registrations.

Enforcement and Regulatory Considerations

Additionally, enforcement language must be drafted to reflect local procedures and limi-

tations. Where foreign judgments or arbitral awards are relied upon, the facility documentation must account for the procedural requirements of recognition and enforcement under the Civil and Commercial Procedures Law No 13 of 1968. Other jurisdiction-specific considerations include exchange control rules, restrictions on offshore accounts, and limitations on upstream guarantees or financial assistance, which may necessitate corporate approvals or board resolutions as part of the closing deliverables.

5. Guarantees and Security

5.1 Guarantee and Security Packages

Scope and Structure of Security Packages

Guarantee and security packages in Egyptian debt financings are typically structured to offer comprehensive coverage across a borrower group's assets and revenues. The scope and structure of these packages vary depending on the nature of the transaction, the profile of the borrower, and lender expectations, but certain market norms and legal requirements consistently apply.

The most commonly secured assets include:

- real estate;
- movable assets such as equipment, inventory, and receivables;
- bank accounts;
- shares in project or operating companies; and
- contractual rights, including insurance proceeds, project revenues, and concession or usufruct rights in infrastructure projects.

Security packages often adopt a layered approach in high-value transactions, especially those involving project finance or structured

credit, combining fixed and floating charges across multiple asset classes and jurisdictions.

Real Estate Security and Mortgage Formalities

Security over immovable property requires formal notarisation and registration with the competent real estate registry to perfect a mortgage. In practice, the registration process is often time-consuming and is frequently deferred as part of subsequent conditions, although lenders may insist on at least partial formalisation at closing.

Movable Asset Security and Registry Perfection

Security over movable assets has become more commercially viable following the enactment of the Movable Collaterals Law No 115 of 2015, which introduced the concept of a floating charge over a range of movable assets, including bank accounts, future receivables, inventory, equipment, and intellectual property rights. Perfection under the provisions of this law is achieved through registration with the electronic registry administered by the FRA, without the need for physical possession or notarial intervention. The system has facilitated greater use of asset-based lending structures, particularly in working capital financings and structured credit facilities.

Share Pledges and Corporate Approvals

Share pledges over project or operating companies are also a key component of most financing transactions. In joint stock companies, the pledge must be registered before the Misr Central Depository, Registry and Settlement, the only central depository in Egypt, or in the company's share ledger in case of materialised shares. In limited liability companies, registration and enforcement of share pledges are uncertain

as the law does not provide an explicit route for registration of security.

Guarantees and Execution Requirements

Guarantees are typically provided by parent companies or other group entities and are structured as either corporate guarantees or payment guarantees, depending on the nature of the transaction and the strength of the guarantor's balance sheet. Guarantee instruments must be signed by authorised signatories and accompanied by corporate resolutions authorising the guarantee and acknowledging the associated obligations.

5.2 Key Considerations for Security and Guarantees

Security Agent Structures and Trust Law Limitations

Although the use of security agents is well established in the market, Egyptian law does not formally recognise the concept of trust. As such, security is often granted directly to all lenders on a *pari passu* basis or to a security agent acting for the benefit of the lender syndicate. This approach is broadly accepted in practice, and Egyptian courts have upheld security agent structures when properly documented.

Parallel Debt Mechanics

Parallel debt structures, commonly used in international finance to ensure the enforceability of obligations across multi-jurisdictional lender groups, are not expressly recognised under Egyptian law but can be replicated through drafting. Local lenders typically rely on the joint and several obligations of the borrower and guarantors under the facility agreement and security documents, while international lenders may incorporate parallel debt mechanics through governing law provisions and inter-creditor arrangements.

Upstream Guarantees and Corporate Benefit

Under Egyptian law, an upstream guarantee provided to a board member is considered void. Upstream guarantees given to shareholders require specific corporate approvals to ensure transparency and avoid conflicts of interest, depending on the financing structure involved. It is essential to adhere to the corporate benefit principle. Egyptian courts may challenge the validity of a guarantee or security if it is found to harm the corporate interests of the guarantor or if it is issued without an adequate benefit in return. Lenders typically require corporate approvals, including resolutions from the board and, when applicable, from shareholders, to explicitly confirm the commercial rationale and benefits for the guarantor or security provider.

Financial Assistance Risk

While not codified in a standalone statute, financial assistance rules are derived from general corporate and commercial principles. Guarantees or security granted by a target company to support acquisition debt used to purchase its own shares may be challenged if deemed to constitute unlawful financial assistance. As a result, lenders often seek upstream guarantees or security from other group entities or adopt alternative structuring techniques where target-level support is critical.

Guarantee Fees and Transfer Pricing Considerations

Guarantee fees are not legally mandated but may be commercially negotiated in transactions involving upstream or cross-stream guarantees, particularly where such arrangements are needed to demonstrate a tangible corporate benefit. In group financing arrangements, internal pricing and allocation of guarantee risk are increasingly scrutinised, particularly where tax-deductibility or transfer pricing compliance is a concern.

6. Intercreditor Issues

6.1 Role of Intercreditor Arrangements Intercreditor Agreements Within Complex Debt Structures

Intercreditor arrangements play an increasingly critical role in Egyptian debt financings, particularly in complex transactions involving multiple layers of debt or diverse classes of lenders. As deal structures within the debt finance market have become more sophisticated, especially in acquisition finance, project finance, and syndicated corporate lending, intercreditor agreements have become essential tools for allocating risk, regulating decision-making, and managing enforcement dynamics across lender groups.

Usage Across Lending Structures

While intercreditor arrangements remain most common in syndicated facilities and club deals, they also gain prominence in transactions that include mezzanine lenders, junior capital providers, development finance institutions, or export credit agencies. These arrangements typically set out:

- the ranking of debt;
- the waterfall of proceeds;
- voting thresholds for key decisions;
- standstill obligations;
- enforcement rights; and
- the distribution of recoveries following an event of default.

Local Practice and Enforceability

Egyptian transactions often follow international precedents, drawing heavily on LMA templates and international drafting standards. Local law considerations, however, must be carefully integrated to ensure enforceability within the jurisdiction. As Egyptian law does not formally recognise the concept of a trust, the security agent

typically holds security interests in its own name for the benefit of all creditors, and intercreditor agreements play a critical role in coordinating enforcement and regulating lenders' rights vis-à-vis each other. Additionally, in project finance and DFI-backed transactions, direct agreements with project counterparties – including offtakers, contractors, and government authorities – are often used alongside intercreditor arrangements to provide step-in rights and ensure lender control over project-level decisions in the event of default or termination.

6.2 Contractual v Legal Subordination Legal Subordination in Insolvency Proceedings

The distinction between contractual and legal subordination is particularly relevant in Egyptian financings, where legal subordination is not expressly codified in statute but arises by operation of law, particularly in the context of insolvency proceedings. Under the Restructuring, Preventive Composition and Bankruptcy Law No 11 of 2018, creditors are ranked according to the nature of their claims, with secured creditors generally enjoying priority over unsecured creditors and subordinated lenders ranking last in the distribution waterfall. This statutory framework forms the basis of legal subordination.

Role and Enforcement of Contractual Subordination

However, outside insolvency proceedings, contractual subordination remains enforceable between lenders and is frequently used to regulate rights and priorities in scenarios such as security enforcement, voting on amendments, or repayment outside court-driven distribution. Subordination clauses in intercreditor agreements, including turnover provisions and payment block mechanics, are relied upon to give effect to agreed lender rankings. In unitranche or

mezzanine financings, contractual subordination governs payment priority, standstill rights, and control over enforcement actions.

Considerations and Structural Protections

Despite its growing use, contractual subordination must be carefully drafted to ensure its effectiveness under Egyptian law, particularly regarding the enforcement of shared security. It is generally advisable to incorporate clear waterfall provisions and enforcement coordination clauses in recognition that statutory ranking will ultimately govern distribution in insolvency. To mitigate these risks, lenders often seek to preserve their position through structural subordination, such as lending at different levels of the borrower group or requiring more robust security packages for senior tranches.

7. Enforcement

7.1 Process for Enforcement of Security Legal Framework and Asset-Based Approach

Security enforcement in Egypt is governed primarily by the nature of the underlying asset and the legal form of the security instrument. While general enforcement procedures fall under the Egyptian Civil and Commercial Procedures Law No 13 of 1968, specific enforcement routes and formalities vary depending on whether the security involves real estate, movable assets, bank accounts, shares, or receivables.

Judicial Enforcement of Real Estate Mortgages

Except for several limitations under Egyptian law for certain local creditors, enforcement must be pursued through a judicial process for real estate mortgages. The creditor must first obtain a final, enforceable court judgment, followed by execution procedures before the competent

court. The process is often time-consuming and may involve multiple procedural steps, including public auction procedures regulated by the Real Estate Registration Law No 114 of 1946 and relevant provisions of the law's executive regulations.

Out-of-Court Enforcement of Movable Assets

Enforcement of security over movable assets has become more streamlined under Moveable Collaterals Law No 115 of 2015, which allows secured parties to enforce pledges via an expedited out-of-court procedure. If a security interest is duly registered with the FRA-administered electronic registry and the debtor defaults, the secured creditor can issue a notice of default, followed by a formal enforcement notice. If the debtor does not cure the default within the specified notice period (usually five business days), the creditor may proceed to seize and sell the secured asset by public auction or private sale without needing a court order. This out-of-court enforcement mechanism is a significant advancement in creditor protection and has facilitated the growth of asset-based lending.

Enforcement of Share Pledges and Regulatory Considerations

Egyptian law offers a direct route for enforcing share pledges for dematerialised shares duly subject to a number of formalities and requirements. For materialised shares, banks licensed by the Central Bank of Egypt also enjoy direct enforcement rights. Enforcing share pledges will typically involve a judicial process for all other lenders.

7.2 Enforcement of Foreign Judgments Recognition and Enforcement of Foreign Judgements under Local Law

The enforcement of foreign judgments in Egypt is governed by the principles of reciprocity and

judicial recognition under the Egyptian Civil and Commercial Procedures Law No 13 of 1968. A foreign judgment will not be automatically enforced; the creditor must initiate an *exequatur* (recognition and enforcement) action before the competent Egyptian court. To initiate enforcement, the creditor must demonstrate that:

- the foreign court had jurisdiction under the relevant conflict of laws rules;
- the judgment is final and not subject to appeal in the issuing jurisdiction;
- the judgment does not contravene Egyptian public order or morality; and
- the parties were afforded due process and proper notice.

In addition, the creditor must show that Egyptian courts would reciprocally enforce Egyptian judgments in the foreign jurisdiction – a principle known as reciprocity of treatment.

Treaties and Practical Enforcement Considerations

If these requirements are met, the Egyptian court will issue a declaration of enforceability, following which the judgment may be executed through local enforcement proceedings. Egypt is a party to certain bilateral treaties and regional conventions, including the Riyadh Arab Agreement for Judicial Cooperation, that facilitate recognition and enforcement, although, in practice, enforcement remains procedural and time-intensive.

Egypt is a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958). Awards issued in other Convention jurisdictions can be enforced in Egypt without re-litigating the underlying dispute, subject to limited grounds for refusal under Article V of the Convention and Egyptian law. Enforcement is pursued through the Egyptian

courts, typically before the Cairo Court of Appeal, and does not require a reciprocity test. Nonetheless, arbitral awards must still comply with local public policy and procedural requirements to be enforced successfully.

8. Lenders' Rights in Insolvency

8.1 Rescue and Reorganisation Procedures

Legislative Framework for Business Rescue

Insolvency and reorganisation in Egypt is governed by the Restructuring, Preventive Composition and Bankruptcy Law No 11 of 2018, which introduced formal mechanisms for early-stage restructuring outside liquidation proceedings. These tools are aimed at supporting business continuity and facilitating creditor recoveries in scenarios of financial distress.

Preventive Composition Proceedings

Under Egyptian law, the primary rescue procedure is preventive composition, which allows a debtor facing financial distress but not yet in cessation of payments to enter into a court-supervised settlement with its creditors. Preventive composition suspends individual enforcement actions and imposes a stay on legal proceedings, thereby restricting lenders from enforcing loans or security unless specific exceptions are granted. The debtor must submit a composition plan, subject to approval by a majority of creditors representing at least two-thirds of the debt by value.

Court-Sanctioned Restructuring Plans

In addition, restructuring procedures allow debtors to reorganise their financial obligations under a court-sanctioned plan, including the potential for rescheduling debt, reducing interest or principal, or converting debt into equity. Lenders

may participate in these procedures as part of a creditor committee and may be bound by the restructuring plan if approved by requisite creditor majorities and validated by the court.

These procedures are designed to preserve the debtor's operations and avoid liquidation, but they may temporarily restrict enforcement rights and impact recovery timelines. While secured creditors retain priority over their collateral, enforcement may be delayed or subject to court oversight. In certain cases, courts may authorise debtor-in-possession financing, giving new money lenders a form of superiority, which can dilute existing creditor positions.

Practical Uptake and Market Preference

Although formal rescue proceedings' uptake remains limited in practice, particularly among large corporate borrowers, the legislative framework signals a gradual shift toward structured reorganisation mechanisms. Out-of-court workouts and bank-led restructurings, however, remain the preferred route in most commercial settings, especially where stakeholders seek to avoid judicial processes and maintain confidentiality.

8.2 Main Insolvency Law Considerations

Moratorium on Enforcement and Scope of Creditor Rights

Under the Restructuring, Preventive Composition and Bankruptcy Law No 11 of 2018, the insolvency regime introduced a more comprehensive and structured approach to bankruptcy, creditor rights, and liquidation. A moratorium on creditor enforcement is imposed upon the initiation of insolvency proceedings. This moratorium prevents secured and unsecured creditors from individually pursuing claims, enforcing guarantees, or seizing assets unless the court permits

an exception or if enforcement begins prior to initiating proceedings.

Secured Creditor Priority

Secured creditors retain preferential rights over proceeds from the enforcement of secured assets, which are excluded from the general estate and ranked first in the payment waterfall, subject to the deduction of certain procedural and preservation costs. However, enforcement may be delayed or subject to court control, particularly if the asset in question is deemed essential for the debtor's continued operation.

Claw-Back Risk and Suspect Period Transactions

Under Egyptian insolvency law, certain transactions entered into during the "*suspect period*" typically two years before the declaration of insolvency – may be invalidated if they are found to be prejudicial to creditors or structured with intent to defraud. Vulnerable transactions may include undervalue transfers, preferential payments to selected creditors, or abnormal security grants. This claw-back risk is particularly relevant in distressed refinancings or pre-insolvency restructurings and must be considered by lenders when extending additional facilities or agreeing to amendments.

Arm's Length Scrutiny

Courts may scrutinise intra-group or related-party lending transactions and recharacterise them in certain cases, especially if deemed abusive or designed to circumvent creditor protections. There is also increased attention to arm's length standards in transactions involving controlling shareholders or affiliates.

Statutory Order of Payment

The order of payment in insolvency follows a statutory hierarchy.

After deducting judicial fees and procedural expenses, payments are applied first to secured creditors from the proceeds of their collateral.

The remaining estate is distributed to preferential creditors (such as employees and tax authorities), followed by unsecured creditors on a *pari passu* basis.

Subordinated creditors, including mezzanine lenders or holders of hybrid instruments, rank last in the distribution order and typically recover only in surplus scenarios.

9. Tax and Regulatory Considerations

9.1 Tax Considerations

Withholding Tax on Interest Payments

Debt financings in Egypt are subject to a range of tax considerations that influence transaction structuring, pricing, and documentation. The key issues typically include withholding tax on interest payments, stamp duty implications, and thin capitalisation rules, all of which must be carefully addressed by lenders and borrowers alike.

Interest payments made by Egyptian borrowers to foreign lenders are generally subject to withholding tax at a rate of 20% unless a double taxation treaty (DTT) applies to reduce or eliminate this rate. Egypt has signed DTTs with more than 50 countries, including most OECD (Organisation for Economic Co-operation and Development) jurisdictions, many of which provide for reduced withholding tax rates on interest, typically between 10% and 15%. To benefit from treaty relief, foreign lenders must submit appropriate residency certificates and documentation in accordance with Egyptian Tax Authority

requirements. Without a qualifying DTT, the full 20% rate applies.

Absence of a “Qualifying Lender” Concept

Notably, Egyptian tax law does not currently provide for a “*qualifying lender*” concept, as seen in certain other jurisdictions. As a result, borrowers must proactively assess the tax impact of interest payments on a case-by-case basis and ensure that the loan documentation clearly allocates the gross-up risk in relation to withholding tax obligations. Lenders commonly insist on gross-up clauses and tax indemnity provisions in cross-border financings to mitigate exposure.

Stamp Duty and Registration Costs

From a stamp tax perspective, loans extended from offshore into Egypt (except for loans extended by branches of Egyptian banks offshore to Egypt) are generally not subject to stamp duty on the principal amount or the execution of the loan agreement. However, certain ancillary documents, such as guarantees or promissory notes, may attract nominal stamp duty, typically at a fixed rate, depending on the form and use of the document. Where facility agreements include security instruments, such as mortgages or pledges, associated documentation may incur registration fees or notarisation costs, particularly for real estate mortgages registered under the Real Estate Registration Law No 114 of 1946.

Thin Capitalisation Rules and Interest Deductibility

Egyptian tax law also imposes thin capitalisation rules under Ministerial Decree No 221 of 2023, which replaced the prior 4:1 debt-to-equity ratio. The updated framework caps the deductibility of interest expense by applying a 30% EBITDA limitation rule, similar to the OECD’s BEPS Action 4 recommendation. Interest expense can only be

deducted up to 30% of the taxpayer's EBITDA. Any excess interest can be carried forward for up to five years. This rule applies to both related-party and third-party debt; however, there may be additional restrictions on intra-group financing due to transfer pricing regulations.

Transfer Pricing and Other Tax Implications

Interest payments must also meet the general test of business purpose and commercial reasonableness to be deductible. Where interest is paid to affiliated parties, Egyptian tax authorities may challenge deductions under transfer pricing rules, which require that financing terms and pricing reflect arm's length principles. Moreover, tax treatment of debt restructurings or write-offs may also give rise to accounting and tax implications. In particular, debt forgiveness could result in taxable income for the borrower unless it qualifies under specific exemptions, such as court-sanctioned reorganisation plans.

9.2 Regulatory Considerations

Dual Regulatory Oversight

Debt financings in Egypt are subject to a regulatory landscape shaped by the dual oversight of the CBE and the FRA, depending on the nature of the transaction, the type of lender, and the financing structure. Egypt's banking regulations, governed by the Central Bank and Banking System Law No 194 of 2020, impose prudential limits on leverage, large exposures, and related-party transactions, indirectly influencing the structuring of bank-originated debt. Moreover, the CBE has issued several circulars outlining permissible forms of collateral, minimum documentation standards, and risk weighting for credit exposures, particularly in relation to project and small and medium enterprise (SME) lending.

Regulatory Framework for NBFIs

In Egypt, the principal regulator is the FRA for NBFIs, including financial leasing companies, factoring companies, consumer finance providers, and securitisation special purpose vehicles (SPVs). These entities operate under the oversight of Financial Leasing and Factoring Law No 176 of 2018 and other sector-specific legislation, including Capital Market Law No 95 of 1992 for securitisation and bond issuances and the Consumer Financing Law No 18 of 2020. Any debt instrument issued by or placed through an NBFI must comply with FRA regulatory requirements, including disclosure obligations, rating requirements, and periodic reporting.

Anti-Money Laundering and Know-Your-Customer Compliance

Borrowers and lenders alike are expected to comply with broader anti-money laundering (AML) and know-your-customer (KYC) requirements under the Anti-Money Laundering Law No 80 of 2002, as amended. Financial institutions involved in structuring or participating in debt financings must conduct full AML checks and maintain documentation under guidelines issued by the Egyptian Money Laundering and Terrorist Financing Combating Unit (EMLCU).

10. Jurisdiction-Specific or Cross-Border Issues

10.1 Additional Issues to Highlight

Other than those outlined in the foregoing, there are no other crucial issues in debt finance transactions from a jurisdiction-specific perspective to highlight.