FRA’s Initiatives and Precautionary Measures to Curb the Spread of the Coronavirus (Covid-19) Pandemic and Alleviate its Impacts on Stakeholders of Non-Banking Financial Services

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Building Bridges not Walls
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Foreword
Over the course of the history, the world faced a plethora of financial and economic crises starting from “the Great Depression of 1929” to the stock market crash known as “Black Monday” on 19 October 1987, which led to capital outflow from the world’s largest bourses. Thereafter, Asian financial crisis of the so-called Asian Tigers in 1997, which initially triggered in Thailand, then extended to the rest of Southeast Asian countries and their trade partners. By the end of the previous decade, the global economy passed through another turmoil – the global financial crisis in 2008 and the repercussions of European sovereign debt crisis in 2009.

Coinciding with each global crisis, many researchers and economists are aggressively studying its economic impacts, namely diminishing economic growth rates, global slowdown and stagnation, economic recession, shrinking of many jobs and weak incomes of individuals. Consequently, countries and international financial institutions offer huge stimulus packages to stimulate economic activities and support companies to raise utilization rate and pump further funds in national economies to step up growth rates.

In this respect, the coronavirus pandemic, which represents an unprecedented health disaster and a threat to all societies whether poor or rich, developing or developed, has taken a painful toll on societies. The novel virus has propelled countries to enforce social distancing and impose complete or partial quarantine to combat its spread. Additionally, countries have shut down many economic activities to reduce any large gatherings. This in turn suspended a raft of services and productive activities and undermined many micro, small, and medium-sized enterprises (MSMEs). All of the above mentioned paint a uniform picture that the world would plunge into an inevitable recession with severe financial losses.

The Egyptian government has been fully aware that we are facing a pandemic that would have grave economic and social impacts on the Egyptian society. Accordingly, it started early in taking a patchwork of precautionary measures to staunch the spread of the respiratory disease. In alignment with the Egyptian government’s efforts, the state-run entities have launched a host of initiatives to alleviate economic fallouts from the coronavirus pandemic. As part of these endeavors, the Financial Regulatory Authority’s (FRA) Board of Directors, in an emergency meeting held on 22 March 2020, approved to provide a financial support worth EGP 250 million to blunt coronavirus-induced economic effects, especially for the most vulnerable groups who are extremely affected by the economic impacts of the coronavirus.

Moreover, FRA has taken a series of initiatives to alleviate the virus impact on stakeholders of non-banking financial services, (through two different paths) as follows:

I. Introducing a raft of initiatives to facilitate procedures for stakeholders and safeguard soundness and stability of the non-banking financial services, including:
   b. Insurance Sector.
   d. Microfinance Sector.
II. Taking precautionary measures to combat the outbreak of Covid-19 virus among FRA staff and facilitate dealing with customers at its premises in Smart Village.

I. FRA’s Initiatives to Facilitate Procedures for Stakeholders and Safeguard Soundness and Stability of the Non-banking Financial Services, as Follows:

1. The Capital Market and EGX

Trading on EGX

- FRA amended the regulations governing treasury shares transactions of EGX-listed companies. The amendment entails exempting the companies, stated in Article no. 51 of the EGX Listing and Delisting Rules of Securities, from prior notification period, which was predetermined to be at least three working days before the proposed date of execution.

- FRA also issued temporary exceptional procedures, allowing the aforementioned companies to notify the Stock Exchange of the proposed day set for purchasing treasury stocks from the open market at the security price during the trading session. The purchased amount shall not exceed the legally prescribed percentage of 10% of the company’s shares.

Thanks to the new procedures, 45 companies plan to purchase treasury stocks to support the price of their shares; 26 companies of which have already bought back their shares.

- FRA allowed clients of brokerage firms to send their buy or sell orders via emails or mobile phone texting apps, provided these procedures were previously agreed upon in the contracts with brokerage firms. The clients shall also acknowledge their responsibility for all orders sent from their email or mobile number registered in the contract.

- FRA extended the deadline for submitting financial statements of EGX-listed companies, as well as companies operating under the Authority’s supervision. The deadline for submitting financial statements for the fiscal periods ended 31 December 2019 and 31 March 2020 was extended to 30 April 2020 and 15 June 2020, respectively.

- FRA developed mechanisms for maintaining the Capital Market’s stability and limiting the economic fallouts from the coronavirus pandemic. In this respect, FRA issued Board Decree no. 44 of 2020 amending the Prime Minister’s Decree no. 2339 of 2019 to reorganize the Egyptian Investor Protection Fund (IPF). The said amendment allows the fund, after the Authority’s approval, to invest in EGX-listed securities with at most 10% of its funds. It also allowed the fund to inject new capital or to purchase new certificates of Misr Al Mostakbal Fund Management Company. It is worth mentioning that these transactions should be executed according to the rules and regulations set by the fund’s BOD following the approval of FRA.
FRA approved the extension of grace period for IPO processes on EGX. All listed companies, that have not yet completed the procedures required for their IPO processes; according to Article 1 bis of the EGX Listing and Delisting Rules, will be granted an additional nine-month grace period ending 31 December 2020. Companies shall inform EGX of their plans and obtain its approval at most by 30 May 2020.

**General Assembly Meetings**

In line with Egypt’s precautionary measures to fight the coronavirus pandemic, FRA activated a string of provisions provided by the Law of Joint Stock Companies, Companies Limited by Shares, Limited Liability Companies, and Sole Proprietorship Companies issued by Law No. 159 of 1981 and its Executives Regulations, as follows:

- Supporting electronic voting systems in general assemblies by encouraging companies to implement e-voting systems to enable eligible shareholders to vote remotely on various decisions.
- Encouraging all regulated entities to benefit from the option of holding general assembly meetings in several places simultaneously. All these places shall be electronically connected to allow video and audio interaction between eligible shareholders.
- Allowing proxy voting via one of licensed custodians or registered owners according to the provisions of the Central Depository and Registry Law.
- Allowing representatives of shareholders to attend general assembly meetings by virtue of a written authorization or a power of attorney.
- Committing companies, before convening general assembly meetings, to follow the Egyptian Health Ministry’s instructions to prevent the coronavirus spread. Accordingly, firms have to ban the attendance of arrivals from abroad within less than two weeks, as well as anyone dealing with any infected or suspected cases. Companies should also select large spaces for convention to ensure sufficient distance among the attendees, clean the places with disinfectants and provide hand sanitizers for the attendees to be used before and after the meetings. Additionally, companies should provide non-contact infrared thermometers to measure temperature of the attendees before entering the meeting.

2. **Insurance Sector**

FRA committed insurance companies operating under its supervision to grant policyholders an additional grace period to pay their premia. This step supports more than five million policyholders and enables the clients to benefit from the granted protection of their policies in case the risks insured against occur.

Under this initiative, insurance companies operating in the Egyptian market will grant their clients an additional payment period as follows:

- Granting micro, small, and medium enterprises (MSMEs) policyholders, an additional six-month grace period to pay their premia. Accordingly, their insurance premia are postponed starting from March 2020 until the end of next September with no delay fines, interests or any other financial obligations.
Granting individual life insurance policyholders an additional **60-day grace period**. Therefore, policyholders, who failed to meet their financial obligations and their policies were cancelled during the period from 1 March 2020 until 30 June 2020, may reinstate these policies before 31 December 2020 without imposing any administrative or delay fines.

Granting medical and car insurance policyholders an additional 30-day grace period from the due date of the premia. If policyholders failed to meet their financial obligations and their policies were cancelled accordingly, they might reinstate these policies according to companies’ procedures bearing no extra administrative fees or delay fines.

Granting corporate (group life and property) insurance policies an additional 30-day grace period from the due date of the premia.

Encouraging insurance companies’ clients to use available e-payment methods. FRA also demanded insurance companies to pay out policyholders’ claims as soon as possible through various payment channels if the risks insured against occur. This in turn will shore up mutual confidence between clients and insurers.

3. **Mortgage Finance, Financial Leasing, and Factoring Sectors**
   In an attempt to enhance business environment, FRA has taken exceptional measures to alleviate the burden on the non-banking financial institutions and their stakeholders. In this respect, FRA endorsed mortgage finance, financial leasing and factoring companies to grant their clients (institutional and retail) a six-month grace period from the due date of their financial obligations, without imposing any delay fines.

4. **Microfinance Sector**
   To maintain the stability of 3.2 projects targeting the low-income citizens, FRA has taken a raft of measures to lessen the burden on microfinance clients, and to maintain stability and soundness of the microfinance sector. These measures include:

**Supporting Regular Microfinance Clients:**
- Reducing financing cost for microfinance clients paying their dues regularly.
- Microfinance entities shall sign an agreement with insurance companies to pay – on behalf of their clients – the value of compulsory micro-insurance premia against risks of death and permanent total disability (TPD) until the end of the current turbulent and exceptional period.
- Providing fee-free financial services to microfinance clients. This includes bearing the expenses of various electronic financial transactions held with electronic payment agencies other than banks and /or field collection expenses.
- Exempting clients from accelerated payment commissions of outstanding debt.
- Cutting administrative expenses to renew existing financing, effective immediately.
Supporting Affected Clients:
- Reducing or deferring 50% of due installments of microfinance beneficiaries. Accordingly, this allows microfinance entities to cover their costs and fund obtained from various financing institutions such as banks and Micro, Small and Medium Enterprise Development Agency (MSMEDA).
- The reduction granted by the microfinance entities shall be maintained for a period determined according to each case separately, with a minimum of two-month installments (March and April 2020).

Reviewing the Pricing Policy of New Microfinance:
- FRA sent a circular to the regulated microfinance companies and societies to consider the effect of interest rate cut proclaimed by the Monetary Policy Committee of the Central Bank of Egypt (CBE) on March 16, 2020. In addition to any other benefits, that the microfinance entities may obtain over the coming period from facilities provided by the CBE, such as collection of credit payments dues from institutions. This review should be accredited by the board of directors/trustees of the financing entity within a three-week period at most.

Forming One or More Specialized Committee(s) at Microfinance Entities, with the Following Objectives:
- Considering the current exceptional conditions of non-regular clients, especially the micro-entrepreneurs adversely affected by the crisis.
- Putting client protection principles into practice to ensure that clients are treated well and respectfully.
- Providing suitable solutions for microfinance clients in line with the responsible finance principles, such as postponing installments, debt rescheduling, granting grace periods, exempting from delay fines, and debt write-off.
- Microfinance companies, associations and NGOs of A&B classes should notify FRA by the end of each Thursday with the exposure risk of microfinance portfolio. The risk exposure should be assessed in accordance with the provisions authorized by FRA, showing geographic areas with the largest share of arrears.

Microfinance Companies to Reschedule NPLs
- FRA encourages microfinance companies and societies to be resilient in rescheduling non-performing loans (NPLs) taking into consideration the financial position of each client separately.

Each Microfinance Entity Shall Adopt the Emergency Management and Business Continuity Plan (EMBCP) to Use its Resources Effectively According to the prevailing market conditions.
- The said plan shall focus on raising awareness of employees and clients of preventive health measures. In addition, risk management officers at the microfinance entities shall monitor these measures and prepare a weekly progress report. They also shall brief the entity’s Chairman/Trustees or Managing Director/Head of finance on the report’s results to take
the necessary corrective actions. In addition to remotely following up the performance of the portfolios through phone calls and mobile texting apps, and conducting field inspection in necessary cases only, according to the conditions set by each entity. Furthermore, they should ensure the availability of the tools and electronic instruments needed to execute daily transactions and reduce documents circulation inside the entity whenever possible.

FRA formed an internal working group at the Microfinance Unit, to monitor 56 of the largest entities that engage in microfinance activity with a market share of 98%.

The working group should constantly follow up and combat the negative impacts of coronavirus on the microfinance industry. Moreover, the group should assess the conditions of microfinance clients, set effective solutions to their problems, and screen constraints to iron out any hurdles. The working group is authorized to take decisive and prompt actions against any entity showing uncooperative or inappropriate behavior toward the clients.

This aims to maintain the effectiveness of the microfinance sector, providing microfinance loans to more than 3.1 million beneficiaries; worth more than EGP 17 billion as of this year.

The working group also verifies the implementation of precautionary measures and the situation of each microfinance portfolio inside each entity. The group should also address the risk of arrears and their increasing trajectory and detect the number of coronavirus infections among the staff.
II. FRA’s Internal Precautionary Measures to Curb Coronavirus Outbreak and Facilitate Dealing with Customers at its Premises in Smart Village.

In alignment with the state’s preventive measures to combat the coronavirus spread, FRA has implemented a series of initiatives, as follows:

1- Enhancing efficiency and preparedness of internal clinic to enable in-house doctors to deal with any suspected coronavirus cases.

2- Distributing more than 100 sterilization units within FRA’s headquarters, along with setting a schedule for routine sterilization and disinfection of the premises.

3- Intensifying employees’ health awareness, publishing preventive instructions against the novel virus and how to deal promptly with it.

4- Replacing the fingerprint biometric attendance system with swipe-card attendance system. Moreover, holding meetings via video conference and encouraging work-from-home policy according to a specific mechanism to achieve desirable results.

5- Allowing the attendance of 50% of the staff to avoid large gatherings and minimize the risks of transmitting the infection.

6- Laying out a business continuity plan for offering services for customers and companies dealing with FRA, including the following measures:
   a. Using non-contact infrared thermometers to measure temperature of anyone entering FRA’s premises.
   b. Activating electronic system to deal with the public. Therefore, non-banking financial activities’ stakeholders could implement their transactions and obtain FRA’s services electronically with no need to visit its premises.

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- For sending board meeting and general assembly minutes, please send an email to BOD.Governance@fra.gov.eg or GA.Governance@fra.gov.eg.
- For sending financial statements, send an email to financialstatements@fra.gov.eg.
- FRA also urges its stakeholders to adhere to filling the electronic services forms on its website and send original copies of attached documents to the Authority’s headquarters via postal services. Customers can contact FRA via (0235345365) within official working hours if there is difficulty in using electronic services.

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