

Translation of the Financial Leasing and Factoring Law No. 176 of 2018

ترجمة قانون التأجير التمويلي
والتخصيم رقم ١٧٦ لسنة ٢٠١٨

17 August 2025

**Law No. 176 of 2018 Concerning the Issuance of the Law Regulating the
Activities of Financial Leasing and Factoring**

In the name of the people President of the republic

Preamble

The House of Representatives has enacted the following law, and we hereby issue it:

Promulgation Articles

Article (1):

The provisions of the accompanying law shall apply to the activities of financial leasing and factoring.

Law No. 95 of 1995 concerning financial leasing is hereby repealed, as well as Prime Minister's Decree No. 1446 of 2003 concerning the rules and provisions regulating factoring activity, and any provision that conflicts with the provisions of the accompanying law is also hereby repealed.

Article (2):

Without prejudice to the disputes and lawsuits falling under the jurisdiction of the State Council, economic courts shall have jurisdiction to adjudicate disputes and lawsuits arising from the application of the provisions of the accompanying law, including both temporary and substantive enforcement disputes, as well as criminal cases related to offenses provided for in the accompanying law.

The provisions of the Law Establishing Economic Courts (Law No. 120 of 2008), the Code of Civil and Commercial Procedures, the Penal Code, the Code of Criminal Procedure, the Civil Code, and the Law of Evidence in Civil and Commercial Matters shall apply in all matters not specifically addressed in the accompanying law.



Article (3):

Companies operating on the date of entry into force of the accompanying law and engaged in either financial leasing or factoring activities shall comply with its provisions within six months from its effective date.

The Board of Directors of the Financial Regulatory Authority may issue a decision to extend this period for two additional terms.

In case of non-compliance with the above, the license to practice the activity shall be revoked. The company shall then be required to either liquidate its finance portfolio or transfer it to another entity licensed to engage in the activity in accordance with the provisions of the accompanying law, within a period specified by the Board of Directors of the Financial Regulatory Authority.

Contracts concluded prior to the enforcement of this law shall remain subject to the tax provisions applicable at the time of their execution, until their expiration.

Article (4):

This law shall be published in the Official Gazette and shall enter into force on the day following its publication.

This law shall bear the seal of the State and shall be enforced as one of its laws.

Factoring and Financial Leasing Law

Part One: General Provisions

Article (1):

For the purposes of this Law, the following terms and expressions shall have the meanings assigned to each of them:

Financial Leasing: A financing activity under which the lessor grants the lessee the right to possess and use a leased asset for a specified period in return for lease payments, in accordance with the financial leasing contract. The lessee shall have the option to purchase all or part of the leased asset at the time and for the price specified in the contract.



Factoring: The purchase of current and future financial rights arising from sales transactions and the provision of services.

Competent Minister: The minister responsible for implementing the provisions of Law No. 10 of 2009 regulating the oversight of non-banking financial markets and instruments.

Competent Administrative Authority: The Financial Regulatory Authority (FRA).

Authority: The Financial Regulatory Authority (FRA).

Board of Directors: The Board of Directors of the Financial Regulatory Authority.

Financial Leasing Contract: A financing contract concluded between a lessor and a lessee, under which the lessor undertakes to transfer the possession of the leased asset, owned or acquired by the lessor from a supplier, to the lessee. The contract may also provide for the lessor to purchase an asset from the lessee, with the effectiveness of the purchase contract dependent upon the conclusion of a financial leasing contract, for use in productive or service economic activities, for a specified term and rent. In all cases, the lessee shall have the option to purchase all or part of the leased asset at the time and price specified in the contract.

Lessor: The entity licensed to engage in financial leasing in accordance with the provisions of this Law and the rules and procedures issued by a decision of the Board of Directors of the Authority. Multiple lessors may participate in a single financial leasing contract.

Lessee: The natural or legal person who has the right to possess and use the leased asset under a financial leasing contract. There may be multiple lessees, provided they are jointly liable for all obligations arising from the contract.

Leased Asset: Any tangible or intangible property or usufruct right that is the subject of a financial leasing contract, provided it is necessary for engaging in productive or service economic activities. In the case of leasing a usufruct right, the contract must allow for the transfer of such right to third parties.

Lease Value: The agreed-upon amount in the contract which the lessee undertakes to pay to the lessor in exchange for the right to use the leased asset under the financial leasing arrangement.

Lease Term: The period during which the leased asset remains in the lessee's possession in accordance with the terms of the leasing contract.

Supplier or Property Owner: The person who transfers ownership of the leased asset subject to the financial leasing contract to the lessor.

Contractor: The party responsible for constructing facilities that are subject to a financial leasing contract.



Contract Register: A register maintained by the Authority to record financial leasing contracts and related sales contracts executed in reliance thereon, as well as any amendments to such contracts.

Purchase Option: A clause that must be included in a financial leasing contract, allowing the lessee to optionally purchase the leased asset at or during the end of the lease term, for the agreed amount specified in the contract.

Factor: Any entity licensed to engage in factoring in accordance with the provisions of this Law.

Seller: The seller of goods or provider of services from which financial rights arise.

Debtor: The purchaser of goods or recipient of services.

Factoring Contract: A financing contract concluded between the factor and the seller, under which the factor purchases current and future financial rights arising from the sale of goods and provision of services, in accordance with the provisions of this Law.

Sales Contract: The original contract concluded between the debtor and the seller concerning the sale of goods or provision of services.

Current Rights: Rights existing at the time of concluding the factoring contract.

Future Rights: Rights that arise after the factoring contract is concluded.

Article (2):

The activities of financial leasing and factoring shall be carried out in accordance with the provisions of this Law and the conditions, rules, and standards issued by a decision of the Board of Directors of the Authority, according to the nature of each activity.

Article (3):

The Authority shall have exclusive jurisdiction to grant licenses to companies subject to the provisions of this Law to engage in these activities. It shall also license companies, associations, and civil institutions engaged in microfinance in accordance with Law No. 141 of 2014, under the terms of this Law and the additional conditions and rules issued by the Authority's Board of Directors.

Entities not licensed by the Authority shall not engage in financial leasing or factoring activities.



Entities licensed by the Authority to engage in financial leasing or factoring shall be deemed to be providing services in the field of non-banking financial markets, in accordance with Law No. 10 of 2009 regulating the oversight of non-banking financial markets and instruments.

Part Two: Financial Leasing Activity

Chapter One: Rules for Practicing the Activity

Article (4):

The following shall not be considered financial leasing within the meaning of this Law:

- Operating lease contracts, which are defined as lease agreements that do not include a purchase option for the leased asset at the end of the contract term.
 - Lease contracts related to agreements for the exploration or exploitation of natural resources, such as petroleum, gas, minerals, and other mining and exploration rights.
 - Lease contracts that do not involve assets necessary for engaging in a productive, service, or commercial activity by the lessee, in accordance with the rules issued by the Chairman of the Authority's Board of Directors.
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Article (5):

The Authority shall establish a register for the purpose of recording financial leasing contracts concluded between a licensed lessor and a lessee, provided that the contract is executed or enforced within the Arab Republic of Egypt. It shall also record sales contracts related to these lease agreements, as well as any amendments thereto.

The registration must include identification of the leased asset, the parties to the contract and their capacity concerning the asset, and the contract term.

A decision by the Board of Directors of the Authority shall determine the rules and procedures for registration, the documents and information required, and procedures for modifying or cancelling registration.

This is without prejudice to the lessor's right to publicize movable guarantees arising from financial leasing contracts in the Movable Collateral Registry, established under Law No. 115 of 2015 regulating movable collateral.



The Authority shall review registration applications and the contracts requested to be registered, along with all associated documentation and amendments, in accordance with this Law and the executive decisions issued by the Board of Directors.

The Authority may engage experts to assist in this process.

Article (6):

A decision by the Authority's Board of Directors shall determine the registration fee for recording financial leasing contracts in the relevant register, which shall not exceed 500 Egyptian Pounds.

A fee not exceeding 200 Egyptian Pounds shall be payable for requests for copies of registrations or amendments thereto.

Any interested party may request an extract, a certificate of data, or a negative certificate from the register of financial leasing contracts or the list of licensed companies, upon submission of a request with proof of payment of the applicable fee (not exceeding 200 Egyptian Pounds), as determined by the Board of Directors.

Fees shall be paid through the payment methods approved by the Authority.

Article (7):

The lessor shall be entitled to register in the Importers Register pursuant to Law No. 121 of 1982 concerning the Importers Register, for the purpose of importing assets intended to be leased under financial leasing contracts, regardless of the company's business volume, duration of licensed activity, or the nationality of its shareholders or the manager responsible for imports.

Article (8):

The lessor shall be required to indicate its status as owner of the leased asset and to display the registration number and date of the leasing contract in the Authority's contract register, clearly and in a visible location on the asset.



The lessor, or its representative, shall have the right to periodically inspect the leased asset to ensure its condition and proper use for the agreed purpose, provided that such inspection does not harm the lessee. Inspection shall be carried out at times agreed upon by both parties or as stipulated in the financial leasing contract.

Article (9):

Without prejudice to laws regulating ownership of built properties and land, the lessee shall have the right to purchase all or part of the leased asset at the time and price specified in the contract, taking into account the lease payments already made.

If the lessee does not opt to purchase the leased asset, they shall either return it to the lessor or renew the contract under terms agreed upon by both parties.

The contract shall not be automatically renewed or extended, whether or not the lessee is notified of its expiration.

Article (10):

Without prejudice to the rights of the State, from the date of registration, neither the lessee nor any third party may assert any right against the lessor that contradicts the terms of the financial leasing contract registered in accordance with Article (5) of this Law.

Article (11):

The lessee is prohibited from disposing of the leased asset, in whole or in part, without prior written consent from the lessor.

Any transaction or disposal conducted in violation of this provision shall be deemed null and void, and the lessor shall have the right to reclaim the leased asset from any party in possession of it in breach of this article.



Part Two: Financial Leasing Activity

Chapter Two: Financial Leasing Contract

Article (12):

A financial leasing contract shall be drafted in accordance with the standard model prepared by the Authority and must include, at a minimum, the following:

- Full details of the parties to the contract.
- Description of the leased asset.
- The purpose for which the leased asset is to be used.
- The lease value.
- The financing return or the method of calculating it, and any applicable commissions.
- The duration of the contract.
- The sale price and date.
- The lessee's right to purchase the leased asset.
- Terms for the transfer of the leased asset to the lessee.
- Provisions for contract termination and rescission.
- Clear identification of the **owner of the asset**, especially in cases where the right involved is a **usufruct**.

The parties may agree to include any additional terms in the leasing contract.



Article (13):

Prior to entering into a financial leasing contract, the lessee may negotiate directly with the supplier or contractor regarding the specifications of the asset required for the project, or the method of its manufacturing or construction, provided there is prior written approval from the lessor.

Such approval must specify the issues to be negotiated between the lessee and the supplier or contractor.

The results of these negotiations shall not be binding on the lessor except to the extent approved by the lessor and communicated to both the lessee and the supplier or contractor.

In all cases, the lessor shall not be bound by any agreements entered into between the lessee and the supplier or contractor without the lessor's consent.

Article (14):

If a financial leasing contract is concluded and the lessor authorizes the lessee to take direct delivery of the leased asset from the supplier or contractor, such delivery must conform to the agreed-upon specifications, and a delivery report signed by the lessee and the supplier or contractor shall be prepared, recording the condition of the leased asset and any defects (if any).

The lessor shall not be liable to the lessee for any breach by the supplier of the supply contract unless the supplier was chosen by the lessor, unless otherwise agreed.

The lessee shall be liable to the lessor for any information contained in the delivery report regarding the leased asset.

Article (15):

The lessee shall be obligated to pay the lease value as agreed in the contract, in accordance with the specified terms and schedule.

The determination of the lease value and its components shall not be subject to the provisions of any other law.

It may be agreed that the full lease value is payable to the lessor even if the lessee does not benefit from the leased asset, provided that the lessor is not at fault.



Article (16):

The lessee shall be required to use, maintain, and repair the leased asset in a manner consistent with its intended purpose, following recognized technical standards and any contractually agreed technical specifications, whether established by the lessee, lessor, manufacturer, supplier, or contractor.

The lessee must notify the lessor of any event that impairs the leased asset's usability, in whole or in part, in accordance with the procedures set out in the contract.

Article (17):

The lessee shall bear civil and criminal liability for any accidents or damages caused by the leased asset to third parties from the date of receipt of the asset. The lessee shall also be liable for any accidents or damages to the leased asset arising from its use during possession.

The lessor shall not be held liable for any damages caused by the leased asset throughout the contract duration.

The lessor may require insurance coverage on the leased asset that guarantees the recovery of rental payments for the remaining term of the contract and the specified purchase price.

Article (18):

A leased movable asset retains its nature even if the lessee affixes it to or integrates it into immovable property. If the lessee purchases the leased asset, ownership shall not transfer until all contractual obligations are fulfilled.

Article (19):

Upon return of the leased asset to the lessor, the following shall apply:

- The lessee shall retain any improvements made at their own expense if such improvements are separable without damaging the asset.



- The lessee shall be entitled to compensation for improvements made at their own expense with the lessor's written consent, if such improvements are inseparable without damage.

All of the above shall apply unless otherwise agreed.

Article (20):

The lessee may bring direct claims against the supplier or contractor arising under the contract concluded between the lessor and the supplier or contractor, except for claims for termination of the contract. This does not prejudice the lessor's rights to bring claims against the supplier or contractor.

Article (21):

The lessor shall be liable for any actions or conduct that:

- Prevent the lessee from benefiting from the leased asset, or
- Enable the supplier, contractor, or any third party to interfere with the lessee's use of the asset.

The lessor is also liable for errors in selecting the leased asset unless the lessee has acknowledged inspection and receipt in accordance with the contract terms.

Article (22):

A contract registration shall be cancelled in the following cases:

- Expiration of the contract term without renewal.
- Agreement by all contracting parties.
- Issuance of a final court judgment or arbitral award ordering cancellation.
- Termination of the contract in accordance with Articles 26 and 27 of this law.



The cancellation shall have no effect on entries and registrations made between the time of registration and its cancellation.

Part Two: Financial Leasing Activity

Chapter Three: Assignment of the Contract

Article (23):

The lessor may assign the contract to another lessor. The assignment shall only be effective against the lessee from the date of notification. Such assignment shall not affect the lessee's rights and guarantees under the original contract.

Article (24):

The lessee may assign the lease contract to another lessee with the written consent of the lessor. In this case:

- The original lessee may be held liable as a guarantor for the assignee's performance.
 - The new lessee shall pay rental payments directly to the lessor according to the lease and assignment terms from the date the lessor notifies them of approval.
 - The new lessee shall assume all rights and obligations of the original lessee under the lease contract unless otherwise agreed.
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Article (25):

In the cases provided under Articles 23 and 24, the lessor must update the assignment in the Register of Financial Leasing Contracts at the Authority. The assignment shall only be opposable to third parties from the date of registration.



Chapter Four: Termination of the Financial Leasing Contract

Article (26):

A financial leasing contract shall be deemed automatically terminated, without notice or legal action, in the following cases:

- Non-payment of rental dues as agreed in the contract despite a notice from the lessor, and the lapse of 30 days, unless otherwise stipulated.
- Death of the lessee or a general partner in a partnership, unless heirs or a new partner request to continue the contract within 30 days of death.
- Declaration of bankruptcy or insolvency of the lessee, or dissolution of the lessee company under applicable laws. The bankruptcy trustee or liquidator may, within 30 days of the judgment, notify the lessor in writing of the desire to continue the contract, provided the lessor's rights, especially regarding timely payment, are not affected.
- Any other case stated in the contract.

In all cases, the leased asset shall not be part of the general guarantee for creditors.

Termination shall be recorded in the relevant register according to procedures set by the Authority's Board of Directors.

Article (27):

The contract shall be deemed legally terminated if the leased asset is totally destroyed. If the destruction results from the lessee's fault, the lessee must continue paying the rent or purchase price as agreed, while considering any insurance proceeds received by the lessor.

Article (28):

A financial lease contract registered with the Authority shall have **executory force**.

If the contract ends due to termination or otherwise without renewal or purchase by the lessee, the lessee, heirs, partners, trustee in bankruptcy, or liquidator must return the leased asset in the agreed condition.



If delivery is refused, the lessor may submit the registered lease contract to the competent economic court's clerk to affix an executory formula in accordance with Article 280 of the Code of Civil and Commercial Procedures.

Any party may file an objection within three days of notification. The objection is heard by the Execution Judge at the competent economic court, who must rule within seven days, during which execution is stayed.

Where no specific rule is provided, the general provisions of the Code of Civil and Commercial Procedures shall apply.

Article (29):

A judgment invalidating or terminating the contract between the supplier or contractor and the lessor shall not affect the contract between the lessor and the lessee, and the lessee shall continue using the asset.

The supplier or contractor may claim any rights against the lessee arising from such judgment, without exceeding the lessee's obligations toward the lessor.

If the judgment merely reduces the purchase price due to defects or deficiencies, the rental and purchase payments in the lease contract shall be reduced proportionally, unless otherwise agreed.



Article (30):

Customs duties and taxes shall apply to imported equipment intended for leasing under this law.

The lessor shall be treated similarly to the lessee concerning applicable taxes and duties throughout the lease term.

If the lessor purchases an asset necessary for the lessee's activity, the lessee may claim VAT refunds per Law No. 67 of 2016 based on the registered lease contract.

In all cases, the lessee shall enjoy all tax benefits relating to the leased asset as if they had purchased it. The registered lease contract is considered valid proof for claiming tax benefits.

Article (31):

Contracts for transferring ownership of leased assets under this law to the lessor, lessee, or insurance company (in case of asset loss) are exempt from:

- Notarization and registration fees
 - Property documentation and measurement charges
 - Any assignment or allocation fees imposed by property-owning authorities
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Article (32):

Sale transactions between the lessee and lessor that are conditional upon executing a financial lease contract shall be exempt from:

- Real estate disposal tax under Law No. 91 of 2005
 - VAT under Law No. 67 of 2016, as applicable
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Article (33):

Where licensing is required (e.g. by traffic authorities), the license must be obtained from the office in the lessee's place of residence or main business location upon a joint request from both parties with a copy of the contract.

The license shall be issued in the **lessor's name** and must state that the asset is in the **lessee's possession** under a lease and used by them or their agents.

The lessee shall pay all legally required fees and taxes for obtaining and renewing the license, mandatory insurance premiums, and all costs related to the asset's use and operation, unless otherwise agreed.

Article (34):

Depreciation or amortization of the leased asset, along with finance costs under financial leasing contracts, shall be deductible expenses when calculating net taxable income, in accordance with Egyptian accounting standards.

Part Three: Factoring Activity

Chapter One: Provisions Governing the Exercise of the Activity

Article (35):

Factoring is domestic if both the seller and debtor are registered or residing in Egypt. It is international if either party is located outside Egypt.

Article (36):

In providing factoring services to sellers, the factor may also offer:

- Guarantee services
- Collection services
- Account management



- Any other services specified by the Authority's Board of Directors

Article (37):

A receivable eligible for sale to the factor must:

- Arise from commercial transactions related to the business of both the seller and debtor (not from cash loans).
- Be free from any current or future third-party rights.
- Be unconditional and unrestricted unless otherwise agreed.

The debtor may be a final consumer if conditions (2) and (3) are met, per rules issued by the Authority's Board.

Part Three: Factoring Activity

Chapter Two: Assignment of Rights

Article (38):

Financial rights shall be transferred from the seller to the factor in accordance with the Civil Code, subject to this law and related regulations.

Article (39):

Notification to the debtor of the assignment of financial rights must follow procedures set by the Authority to ensure the debtor is informed. The notice must include:

- Seller and factor details
- The assigned financial rights

It is only valid if written in the language of the original sales contract or the official language of the debtor's country.



Notice may cover rights arising in the future.

Rights shall transfer and become effective from the date of the assignment agreement.

Article (40):

The notice of assignment must warn the debtor to inform the factor of any obstacles to payment or **risks** affecting the receivables, per the Authority's guidelines. Otherwise, the debtor loses the right to raise these defenses against the factor.

Upon receiving notice, the debtor may request proof of assignment from the factor within two weeks. If the factor fails to provide it, the debtor is discharged if payment is made to the seller.

Article (41):

Assigned rights transfer to the factor along with associated guarantees. If there is an agreement prohibiting assignment, the seller may not assign the right without the debtor's consent.

Article (42):

The debtor may raise against the factor the same defenses they had against the seller at the time the factoring contract became effective. The seller may agree that the debtor has no defenses or right of set-off.

Article (43):

The seller may guarantee the debtor's payment upon maturity.

The seller shall also be liable for any personal actions that diminish or eliminate the assigned right.

The factor and seller may agree on additional guarantees, including:

- Pledges (possessory or registered)



- Publicizing security interests in the Movable Collateral Registry under Law No. 115 of 2015
 - Joint guarantees
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Article (44):

The factoring contract between the factor and the seller may extend to include **future financial rights** expected to be due to the seller as a result of conducting their business activity, provided such rights meet the conditions of eligible factored receivables, without the need to conclude a new agreement regarding the transfer of such rights.

Part Three: Factoring Activity

Chapter Three: The Factoring Contract – Rights and Obligations of the Parties

Article (45):

The factoring contract shall be drafted in accordance with the model prepared by the Authority, and shall include at a minimum the following provisions:

- The terms for identifying the receivables accepted by the factor and the minimum supporting documents required for those receivables.
- The rules governing the transfer of receivables, including guarantees of the existence of the right, the debtor's creditworthiness, and the obligation of the seller or factor to notify the debtor or obtain the debtor's acknowledgment in accordance with the regulations issued by the Board of Directors of the Authority.
- The nature of ancillary services provided by the factor, such as collection, monitoring, financing, information, consulting, and financial or administrative services.
- The duration of the contract, renewal terms, and termination conditions.
- The accounting settlement procedures relating to the contract.



- Any additional guarantees provided by the seller to the factor, as well as guarantees associated with the sold receivables, if any.
- The rights and obligations of both parties.
- The extent of the factor's right of recourse against the seller in case of non-payment by the debtor.
- The dispute resolution mechanism applicable to disputes arising from the contract.

Article (46):

The Authority's Board of Directors shall determine what the seller must disclose to the factor regarding the factored receivables and the risks of collecting them, and the method of such disclosures, especially the following:

- Disclosure to the factor of all data and information regarding the transactions from which the receivables originated, and all information related to the sold receivables and their guarantees.
- Disclosure to the factor of all data and information that provide a clear picture of the risks or obstacles that may affect the collection of the receivables.

Article (47):

The factor shall not be liable for the specifications of goods sold or services provided under the sales contract, nor for the mutual obligations between the parties to that contract.

Article (48):

The factor may have recourse against the seller in the following cases:

- If the debtor's failure to fulfill the receivables owed to the factor is due to the seller's breach of contractual obligations with the debtor.
- If the receivable becomes void or is extinguished before being transferred to the factor, or if another party has a preferential right over it.



- If the receivables are not assignable or had already been transferred to another assignee.
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Article (49):

Any agreement between the seller and the debtor to amend the sales contract after the notification of receivables assignment shall not be effective against the factor, unless:

- The factor consents to such amendment.
 - The receivables arising from the sales contract were not yet fully established, and the amendment does not affect the rights or guarantees of the factor.
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Part Three: Factoring Activity

Chapter Four: Debtor's Rights and Obligations

Article (50):

It shall be permissible to obtain insurance against the risk of non-payment from insurance companies within Egypt or abroad, subject to approval by the Authority or any other entities accepted by the Authority.

Article (51):

The transfer of receivables from the seller to the factor shall not affect the rights and obligations of the debtor under the sales contract, except as otherwise provided by this Law.



Article (52):

Subject to Articles (39) and (40) of this Law:

- The debtor shall be obligated to pay the factor from the date they are notified of the assignment of the financial receivables to the factor.
- If the debtor makes payment to the seller, their obligation shall not be discharged unless payment is made to the factor.

Subject to Article (48), the factor shall have the right to recourse against the debtor, the seller, or both for the value of the assigned financial receivables to recover their rights, unless the factoring contract provides otherwise.

Without prejudice to Article (66), if the factor wishes to transfer or assign its factored receivables, the transfer must be made to an entity licensed by the Authority to engage in factoring activity, and the debtor must be notified of such transfer in accordance with Article (39) of this Law.

Article (53):

If the debtor receives multiple notifications of assignment concerning the same receivables, the debtor shall be discharged from liability by paying according to the first notification received, unless the debtor has also received a notice from the original assignee indicating that the receivables have been reassigned to another party.

Article (54):

If the seller fails to fulfill their obligations under the sales contract, the debtor shall not have the right to recover from the factor any amounts already paid. The debtor shall instead have the right to seek recourse against the seller in accordance with the provisions of their contract.



Part Four: Licensing and Regulatory Framework for Leasing and Factoring Companies

Article (55):

Companies seeking a license from the Authority to engage in financial leasing or factoring must meet the following conditions:

- Be established as an Egyptian joint stock company.
- Have a minimum issued and paid-up capital at incorporation not less than the amount set by the Authority's Board of Directors, and in any case, not less than ten million Egyptian pounds, or its equivalent in foreign currencies.
- Limit their corporate purpose to engaging in financial leasing or factoring activities and related services. The Authority may license a company to engage in both financial leasing and factoring or in other non-banking financial activities related to its operations, in accordance with rules set by the Authority. Financial leasing companies may also engage in operating lease activities without being subject to the provisions of this Law, provided they comply with Egyptian accounting standards and prepare separate accounts for operating leases.
- None of the shareholders owning more than 10% of the capital, board members, or executives may have been convicted of a felony or a freedom-restricting crime involving dishonesty or breach of trust, or been declared bankrupt within the past five years, unless rehabilitated.
- At least two-thirds of the board members must have relevant experience in finance, banking, law, or related fields, as defined by the Authority. The board must include at least two independent members.
- The managing director, CEO, and department heads responsible for finance, risk, internal audit, and operations must meet professional experience, academic qualification, and competency standards set by the Authority.
- The company must have the necessary technological infrastructure, equipment, and information systems to carry out the licensed activity.

The Authority's Board of Directors shall issue a decision specifying other licensing requirements for financial leasing and factoring companies.



Article (56):

The Authority may license entities that are companies, associations, or NGOs already licensed to engage in microfinance under Law No. 141 of 2014, to also offer micro financial leasing services, subject to rules issued by the Authority, which shall include:

- That the microfinance portfolio of the company, association, or NGO (based on its latest approved financial statements) is not less than five million Egyptian pounds.
- That the entity is not in violation of Law No. 141 of 2014 or any implementing decisions at the time of submitting the licensing request.
- That the entity submits business plans showing that the value of each micro leasing contract will not exceed the maximum financing amount set under Law No. 141 of 2014.

Entities must adhere to regulations issued by the Authority's Board of Directors, which shall include at minimum the items listed in Article (60) of this Law.

Article (57):

Founders of a financial leasing or factoring company, or a licensed NGO or association, must submit a request to the Authority or the Investor Services Center at the General Authority for Investment and Free Zones using the application form prepared by the Authority, to obtain initial approval for incorporation or for adding the activity under this Law.

The Authority shall decide on the application within one month from the date of submission, based on fulfillment of the conditions outlined in Article (55), paragraphs (1) to (4).

The Authority may reject the application based on its assessment of the following:

- The market's actual need for new companies.
- The applicant's potential to meet market needs through new financing products or by expanding into new geographic areas.
- The experience and competence of the founders or shareholders and their capacity to operate in accordance with best practices.

The Authority's initial approval shall lapse after six months unless the company applies for the license, unless an extension of up to three additional months is granted based on a justified request from the founders.



Article (58):

The license to practice financial leasing or factoring shall be issued as follows:

- The license application shall be submitted to the Authority using the prescribed form. The Board of Directors shall define the required data and documents.
- The Authority shall issue a receipt for the submitted documents or a list of missing documents, which must be completed within three months, or the application shall be void.
- The Authority shall decide on the license application within 30 days from the date the application is completed and shall notify the applicant in writing of its decision.

The Authority may not reject an application from a company that has obtained initial approval unless one or more conditions under this Law or its implementing regulations are not met.

Article (59):

The Authority's Board of Directors shall set the license fee, not exceeding 100,000 Egyptian pounds, payable using the Authority's approved payment methods.

Licensed companies under this Law shall pay the Authority supervision and oversight fees every three months, as determined by the Board, not exceeding two per thousand (0.2%) of total revenues.

Article (60):

In order to engage in financial leasing or factoring activities, it is required to comply with the rules and regulations set by the Board of Directors of the Authority, which shall include at a minimum the following:

- Governance requirements regarding the composition of the Board of Directors, its subcommittees, and the disclosures required from the company and their timing.
- Minimum requirements for the company's organizational structure, and the necessary professional experience, qualifications, and academic background for those occupying key positions.
- Minimum standards to ensure the proper conduct of the company's business and the protection of creditors' and clients' rights.



- Minimum provisions that must be included in the financial leasing or factoring contracts.
- Minimum internal control, credit, and risk management system requirements.
- Standards of financial solvency, liquidity, and maximum limits for concentration and financing to a single client or related clients.
- Minimum standards for calculating impairments and provisions for doubtful debts.
- Minimum capabilities required for the company's information systems, communication networks, and security protocols.
- Regulations for opening, transferring, and closing company branches.
- Anti-money laundering and counter-terrorism financing regulations, in coordination with relevant authorities.
- Periodic reports and statistics the company must submit to the Authority, including their timing.

Article (61):

The company shall establish internal regulations governing its operations, including risk management, financial solvency, and handling client complaints, which directors and employees must comply with. These regulations shall be consistent with the rules and standards stated in Article (60) of this Law. A copy of the internal regulations must be submitted to the Authority within one week from the date of issuance.

The company must also amend its internal regulations to comply with any amendments to the law or the rules and standards issued by the Board of Directors of the Authority, and notify the Authority of such amendments within one week from the date of their entry into force.



Article (62):

The company is required at all times to maintain accounting books sufficient to prepare its financial statements in accordance with Egyptian Accounting Standards. It must also retain records, documents, correspondences, and electronic media in compliance with applicable laws and regulations.

Article (63):

The company shall prepare its financial statements in accordance with Egyptian Accounting Standards. The Board of Directors of the Authority shall determine the timelines for preparation, presentation to the general assembly, submission to the Authority, and other related rules.

The company's accounts shall be audited by one or more auditors registered with the Authority in accordance with Egyptian Auditing Standards. The Authority may provide comments on the annual financial statements and must notify the company of such comments at least one week before the general assembly meeting. The Authority may request that its comments be presented to the general assembly when discussing the financial statements.

In all cases, the company must form a provision or impairment account for doubtful debts, which must be shown in the company's financial statements.

The auditor must disclose in their report the adequacy of the provisions in accordance with the provisioning policy approved by the company's Board of Directors and without prejudice to the minimum limits set by the standards issued by the Authority in this regard.

Article (64):

The company must strictly maintain the confidentiality of its clients' data and not disclose any information about them or their transactions to third parties without their prior written consent and only within the scope of that consent.

Exceptions apply where disclosure is required by law to the Authority, judicial authorities, financing entities, factors, credit rating agencies, credit information service providers, or securitization companies. The company shall implement measures to ensure its directors and employees maintain the confidentiality of such data and information.



Article (65):

The company is entitled to determine the financing return and fees charged for its services without being bound by any maximum limits set in other laws, provided full disclosure of such charges is made to clients at the time-of-service provision.

Article (66):

Financial leasing and factoring companies may assign all or part of their financial rights arising from their activities to another company or entity engaged in the same activity, or to a local bank registered with the Central Bank of Egypt, or to a licensed securitization entity.

Factoring companies may assign all or part of their financial rights arising from international factoring activities to a foreign bank supervised by an authority with similar jurisdiction to the Central Bank of Egypt, in accordance with the regulations issued by the Authority.

Article (67):

The following shall be considered deductible expenses when calculating net taxable income under the provisions of the Income Tax Law:

- Interest expenses paid by the company on loans and other financing instruments.
- Provisions calculated by the company for doubtful debts in accordance with the minimum limits set by the standards issued by the Authority in this regard, provided they are certified by the company's auditor.
- Debts written off by the company's Board of Directors in excess of the above provisions, following reasonable recovery efforts and in accordance with the rules and procedures set by the Authority's Board, and certified by the auditor.

Subject to Article (31) of this Law, financial leasing and factoring operations, loan balances, advance payments, and any form of financing provided by the company to its clients under this Law shall be exempt from stamp tax and other taxes and fees.

Tax withholding and collection-at-source systems shall not apply to leasing payments due to the lessor or to the contractual sale price.



Article (68):

The Board of Directors of the Authority shall issue rules and procedures governing cessation of activity, liquidation, merger, or acquisition of company shares.

In all cases, transactions involving the merger or acquisition of 50% or more of the issued capital or voting rights shall not be effective without the Authority's prior approval.

The Authority may reject a merger or acquisition request for valid reasons related to market stability, competition protection, or the interests of investors or shareholders.

The Authority must notify the applicant of its decision—approval or reasoned rejection—within sixty days from the date of the fully completed application or from the date of completing any documents requested by the Authority.

Article (69):

An association shall be established for companies operating in financial leasing, and another for those operating in factoring. Each association shall have legal personality and shall be subject to the supervision and oversight of the Authority. The two associations may be merged into a single association representing both activities by a decision of the Authority's Board, following approval of the general assemblies of the respective associations.

The Authority's Board shall issue the bylaws for each association, to be published in the Official Gazette at the association's expense and registered in a special register at the Authority upon payment of a fee of EGP 5,000.

Each association shall provide recommendations for developing its respective activity, raising awareness, supporting related initiatives, giving opinions on relevant legislation, developing the skills of workers in the field, and coordinating among members.

All companies operating in leasing or factoring must join the relevant association and comply with its bylaws. Related entities identified by the Authority's Board may also join. Professional standards and rules set by the association shall not be effective until approved by the Authority's Board.

Each association may impose administrative measures against its members in case of violations of its bylaws or professional standards, except those set forth in Article (72) of this Law.



Article (70):

The Authority's staff designated by a decision of the Minister of Justice, upon request of the Authority, shall have judicial enforcement powers to record violations of this Law and its implementing decisions.

They may inspect records, books, documents, data, and electronic media at company premises, branches, or affiliated NGOs. The responsible personnel must provide the requested information, extracts, and copies.

Article (71):

The Authority shall receive complaints from stakeholders involved in leasing and factoring activities regarding violations of this Law or its implementing decisions. The Authority must respond to such complaints within one month from the date all required documents are submitted.

The procedures for submitting and resolving complaints and notifying complainants shall be determined by a decision of the Authority's Chairman.

Article (72):

The Authority's Board may take one or more of the following measures against any company or association that violates the provisions of this Law or its implementing decisions, loses a licensing condition, or engages in practices that may harm market stability, shareholders, or clients:

- Issue a warning to rectify the violation within a specified period and under certain conditions.
- Call the Board of Directors or general assembly to convene, with an Authority representative present, to consider the violations and necessary corrective actions, including removal of the association chairperson, the company's chairperson, or managing director.

If no action is taken, the Authority's Board may issue a reasoned decision to remove any of them.



- Call the general assembly to remove the company's chairperson or managing director. If the general assembly fails to do so, the Authority may issue a reasoned decision to that effect.
- Dissolve the company's board and appoint a temporary administrator for up to six months, renewable once. The administrator shall submit the matter to the general assembly to appoint a new board.
- Suspend new financing contracts for a period not exceeding six months.
- Suspend some or all licensed activities for a defined period.

These measures (items 1, 2, 4, and 5) may also be applied to associations and NGOs under the same circumstances.

Where necessary, a judicial ruling shall be sought.

In urgent cases, the Chairman of the Authority may administratively close company premises until a final judgment is issued.

The Chairman may also take urgent temporary measures under items (1, 2, 4, or 5) for up to one month or until the matter is submitted to the Board, whichever comes first.

To ensure market stability or protect client rights, or in case of financial difficulties, the Board may require the company to improve its solvency within a specified timeline.

All decisions under this article must be reasoned.

Article (73):

One or more committees shall be established to review appeals by companies, associations, or NGOs against administrative decisions under this Law.

Each committee shall be chaired by a Deputy of the State Council and include two State Council judges nominated by its president, a representative of the Authority, an expert nominated by the competent minister, and a representative from the Ministry of Social Solidarity if the appellant is an NGO.

The appellant may appear in person, through an attorney, or a legal representative.

Appeals must be filed within one month of notification or actual knowledge of the decision.



The committee shall issue its decision within 30 days of receiving all required documents, and the decision shall be final.

No lawsuit may be filed before the competent court unless the committee process has been exhausted.

Filing an appeal suspends all statutory deadlines for claims, rights expiration, or filing suits until the committee issues its decision.

The competent minister shall, upon recommendation of the Authority's Board, issue the procedures for submitting and reviewing appeals, and the payment of a fee not exceeding EGP 20,000, refundable if the appeal is successful.

Part Seven: Penalties

Article (74):

Without prejudice to any harsher penalty under another law, the acts specified in this Law shall be penalized as described below.

Article (75):

Any person who engages in financial leasing or factoring activities without a license shall be subject to imprisonment for not less than six months and not more than five years, and/or a fine not less than EGP 200,000 and not more than EGP 1,000,000.

Article (76):

A fine of not less than EGP 20,000 and not more than half the contract value shall be imposed on anyone who violates Article (12) in relation to leasing activities or Article (37) in relation to factoring.



Article (77):

Without prejudice to Capital Market Law No. 95 of 1992, a fine of EGP 1,000 per day of delay shall be imposed for failing to submit financial statements and periodic reports as determined by the Authority's Board.

If the delay exceeds one month, the fine increases to EGP 2,000 per day.

The Chairman of the Authority may settle the case at any stage by accepting half the fine.

Such settlement extinguishes the criminal case.

The Public Prosecution may suspend penalty enforcement if a settlement is reached, even after final judgment.

Article (78):

Imprisonment and a fine of no less than half and no more than the full value of the leased asset, or either penalty, shall be imposed on any person who:

- Disposes of the leased asset without written consent from the lessor, or
- Refuses to return the leased asset despite formal notice following contract termination or for any other reason.

In addition, the lessee shall be required to pay the lessor the value of the disposed asset.

Any person who intentionally alters the features or registered specifications of the leased asset or removes the label identifying the lessor shall be subject to imprisonment and a fine not less than EGP 10,000 and not exceeding half the value of the leased asset, or either penalty.



Article (79):

Imprisonment for not less than six months and a fine of not less than one quarter and not exceeding the full value of the assigned right, or either penalty, shall be imposed on any person who:

- Transfers the same assigned right to more than one party simultaneously, or
- Forges or fabricates any of the assignment-related documents.

In addition, the assignor shall be required to repay all financing received from the factor.

Article (80):

Imprisonment for no less than three months, or a fine not less than EGP 20,000 and not exceeding EGP 200,000, shall be imposed on anyone who:

- Obstructs any Authority officer vested with judicial enforcement powers from performing their duties under this Law, or
 - Conceals data, documents, or electronic media required for such duties without legal justification.
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Article (81):

A fine of not less than ten thousand Egyptian Pounds (EGP 10,000) and not more than three hundred thousand Egyptian Pounds (EGP 300,000) shall be imposed for any other violation of the provisions of this Law or the decisions issued in implementation thereof.

Article (82):

The person responsible for the actual management of the company or the managing director of the association or NGO shall be subject to the same penalties prescribed for acts committed in violation of the provisions of this Law if it is proven that they had knowledge of such violations or that their failure to fulfill the duties imposed by their position contributed to the commission of the offense.



The company, association, or NGO shall be jointly liable for the payment of any financial penalties imposed if the violation was committed by one of its employees in its name and for its benefit.

Article (83):

In addition to the penalties prescribed for the crimes mentioned in the preceding articles, the court may also impose a ban on engaging in the activity related to the offense for a period not exceeding five years.

This ban shall be mandatory in case of repeat offenses.

Article (84):

Without prejudice to the provisions of Article 77 of this Law, the provisions of Article 16 of Law No. 10 of 2009 regulating the supervision of non-banking financial markets and instruments shall apply to offenses committed in violation of this Law and the decisions issued in implementation thereof.

