An Integrated Framework of Good Corporate Governance in the Egyptian Stock Exchange

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Abstract

The importance of implementing good governance practices cannot be understated when it comes to the success of institutions, the national economy, and the political landscape. Building a strong foundation of good governance within the Egyptian stock exchange is crucial. This article aims to present a detailed framework of good governance mechanisms, such as enhancing governance structures, following regulations, being transparent, upholding shareholder rights, ensuring board effectiveness, managing risks, maintaining internal controls, and practicing ethical behavior. By incorporating this comprehensive framework, the overall governance system within the Egyptian Stock Exchange will see enhancements, resulting in greater transparency, accountability, and market efficiency. Ultimately, this will bolster investor trust and encourage more foreign investments in Egypt's economy. The strategies proposed in this article align with both local and international standards, stressing the importance of accountability. Emphasis is placed on independence, transparency, and safeguarding shareholders' interests to promote fair profit distribution and increase shareholder well-being. The board's role in corporate governance is emphasized, highlighting its duties in strategy formulation, risk assessment, and compliance with legal and ethical guidelines. The board plays a crucial role in promoting transparency and accountability within the Egyptian Stock Exchange, thus contributing to societal advancement. This all-encompassing framework acts as a roadmap for investors, regulators, and market participants to cultivate a just and efficient capital market environment in Egypt.

Keywords: Good Corporate Governance, Egyptian Stock Exchange, Regulatory Framework, Risk Management, CSR.

1. Introduction

Good corporate governance is fundamental to the promotion of sustained economic growth and sustainable development. The stock exchange establishes a framework for effective corporate governance in public companies by setting out its governance and disclosure (Denters et al., 2023). The stock exchange plays a vital role in enhancing the market stability, in increasing liquidity, in encouraging companies to make beneficial investments, in protecting minority shareholders, and in improving investor confidence. Consequently, the stock exchange is interested in encouraging the adoption of good corporate governance practice, in ensuring that the governance structures of exchange companies are appropriate for their particular circumstances. In addition to the promotion of good corporate governance, disclosure standards are also used as the means of increasing the overall credibility and transparency of the market, and as a tool for investor protection. Therefore, the stock exchange uses these standards to satisfy these needs. The study defines the macroeconomic indicators considered to be the key elements required to foster the corporate governance in a national stock exchange. Prior literature has also proposed some stock exchange governance indices, such as the world governance index which are measured based on stock exchange characteristics, such as the disclosure quality, the regulatory quality, the quality of risk assessment, and the quality and independence of the legal system. (Abdelfattah and Aboud2020)

2. Historical Background of the Egyptian Stock Exchange

The history of the Egyptian Stock Exchange (EGX) can be grouped into the following well-documented distinct periods. The first of those periods is referred to as the pre-Stock Exchange years or the free market years, which extends over the period 1881–1901. This was followed by the internal stock market or the association period, which extended from 1903 up to the establishment of the Cairo and Alexandria Stock Exchange, which was in fact preceded by the acts of the constitution itself and the share certificate distribution in 1907. There were very close links between the Cairo and Alexandria Stock Exchange and the Alexandria Stock Exchange, which was founded on 16

December 1888 by W. A. Goats. This close cooperation was formalized as from June 2000 when the Cairo and Alexandria Stock Exchange (CASE) was founded. (Saleh et al., 2023)

The Egyptian Stock Exchange now renamed EGX: The Egyptian Stock Market regained its strong growth and innovation path in 1991. Indeed, and over a relatively short period, the stock market has evolved to be among the best markets in the emerging category. By the end of August 31, 2006, the stock market performance and turnover, ranked by Morgan Stanley indices, was the senior best performer globally (Hussein and Nounou, 2022).

3. Conceptual Framework of Good Corporate Governance

Good Governance is the system by which business organizations direct and control their business operations. It deals specifically with the problems of ensuring that the welfare of those that comprise the scope of corporate stakeholders is not placed at risk by strategic actions. The ideas of CG of the modern joint-stock company are composed by the concept of company propriety. The modern joint-stock company is characterized by sharing ownership and decision-making. Ownership and operational control are divided among shareholders, Board of Directors (BoDs), and company management. Corporate governance is the system of rules, practices, and processes by which a company is directed and controlled. (Alshbili et al., 2020)

Good governance practices help to ensure transparency, accountability, and efficiency within the Egyptian Stock Exchange. This can be achieved through the implementation of clear policies and regulations that promote fair competition and protect the rights of investors. Additionally, fostering a culture of integrity and ethical behavior among market participants is crucial for maintaining trust and confidence in the financial markets. Good Governance (GG) issues have recently attracted a great interest in the literature of accounting and finance. The interest in these issues has been attributed to the dramatic changes in the world of finance that, in recent years, have led to the globalization of financial markets with the result that the structure of financial markets themselves have changed. The accounting profession has been requested to provide a greater, harmonized diffusion of rules and standards which "borrow" elements from the various pool of experiences derived from the different institutional viewpoints of the different countries of the world but, at the same time, they tend to achieve a harmonized set of professional accounting rules, which can be applied by the different companies that operate in the international capital markets, in order to allow a more effective comparison of their performances. (Abdelqader et al., 2022)

4. Key Principles of Good Corporate Governance in Stock Exchanges

The relationship between good governance and stock market performance has increasingly become the topic of research and discussion. Under corporate governance, considerable effort has been directed towards understanding good governance and the establishment of good governance guidelines and codes. While these efforts have had analytical or prescriptive impacts on corporate governance, the debate partly neglected the antecedents of the concept in the entity called "stock exchanges", by which good governance practices are implemented, as a reference toolbar for corporate governance. Despite this, few efforts have been conducted to provide a prescriptive context. Consequently, this paper bridges that gap by drawing a set of key governance principles in the Egyptian stock exchange (Leutert, 2024).

Generally, the stock exchanges need to shoulder their responsibility of advocating global initiatives of good governance such as the UN Principles, the OECD experience and those drawn by the International Corporate Governance principles. It is important to understand that stock exchanges are an essential entity in the operation of capital markets. Not only do they facilitate financial intermediation between savers and investors, but they are also a source of liquidity and share price information. They also provide a number of services in relation to financial risk management and control. As a result, the proper functioning of stock exchanges is heavily contingent upon good governance practices and mechanisms (Li et al., 2022). This implies that global stock markets cannot operate in isolation and should adopt, provide or endorse all good governance practices in order to maintain and achieve market integrity. The need for effective regulation of stock markets frameworks, as a means to support effective corporate governance, is being increasingly recognized. Our framework is erected around two essential categories of principles - corporate governance regulation (the role of the regulatory authority, disclosure, standards and guidelines, effective enforcement) and stock market governance (the role, the composition and operation of the stock exchange board).

These key principles are illustrated in the Egyptian Stock Exchange, assessing their significance in the Egyptian context and ranking them accordingly. The results hold important implications for investor trust, protection, transparency, influence on behavior, perceived quality of accounting information, and their overall impact on firm performance and stock market development. (Bateman & Mace, 2020)

5. The Current Governance Landscape in the Egyptian Stock Exchange

Ever since the inception of the Egyptian Stock Exchange (EGX), the market has suffered from a lack of transparency, which is prevalent in many borderline countries. Companies were reluctant to provide investors with information that would give them a sense of security and trust to invest in their stocks.

5.1 Efforts Accomplished by the EGX

The EGX has been trying to comply with international standards ever since and thus decided not to procrastinate in amending its rules and regulations to accommodate the minimum criteria for joining world indices. The exchange took the initiative to visit major stock exchanges and express its readiness to adopt their rules and amend them according to the country's legislative and cultural background (Abdelfattah and Aboud2020)

5.2 Disclosure and Transparency Enhancements

In 1999, an attempt was made to start implementing CIPE recommendations until the central bank began to require companies to submit financial statements prepared in accordance with International Accounting Standards (IAS). The stock exchange decided to follow suit and required that Form 1 lists companies to provide annual financial statements prepared according to IAS. These measures made limited progress in enhancing the quality of financial reporting among the companies listed on the exchange, given the fact that 86% of the companies listed on the exchange failed to comply with the central bank requirement. Furthermore, the lack of an accounting body enforcing the application of accounting standards has been the main factor for the declining report quality. Based on the above reason, the board decided that the easiest and most effective way to enforce compliance with accounting standards is to work with an authority, i.e. the Exchange Market Authority (EMA), with that task in the best interest of the exchange (Ragab & Saleh, 2022).

5.3 Other Initiatives Taken by the EGX

It is also envisioned that the EGX, in collaboration with the EMA, will set the standards for a minimum level of report content and timing to be provided by all listed companies in order to ensure that investors have fair and timely access to all relevant data. There are already some regulations imposed by the exchange to ensure the continuous flow of transparency and data in and between listed companies. The board of directors saw the urgent need to put a strict set of governance criteria for EMA in an attempt to curb any string out or flexibility in the way the board might run the exchange. They believed that this could affect the real independence of the EGX. This effort was effectively the best the board has ever taken because in the process it has provided an integrated process for good governance exercised by a public authority in Egypt and has given us a reference that could be used as a helpful tool for other branches in which EGX is assigned a crucial role in ensuring proper governance for listed companies. (Asiri et al., 2020)

6. International Best Practices in Stock Exchange Governance

In 2002, the Technical Committee of the International Organization of Securities Commissions (IOSCO) suggested an international standard for corporate governance disseminated by the International Federation of Accountants in 2004. This standard laid the foundation for a library of good practices covering a broader range of corporate governance areas and helped regulators and stock exchanges evaluate the systems already in place and identify the shortcomings of existing governance frameworks. The general principles in the standard are designed to establish a framework of a good governance system suitable for companies' form and size in the international, industrially oriented society. (Marcacci, 2020)

International Financial Reporting Standards and multinational entities can provide guidance on how to implement good governance effectively and monitor features of a strong governance system. However, these models are generic and require the identification of sector-specific attributes. It is therefore important for stock exchanges to base their governance requirements on the best governance practices associated with sound business. This also ensures the independent and objective assessment of governance practices carried out by the stock exchanges, the scrutiny of the security market and sentiment, and an increased commitment by the exchanges and investors in good governance practices. (Ilham et al.2022)

The framework for good governance practices recommended to regulators by the IOSCO and implemented by exchanges will help the corporations operating within their jurisdictions and the investors who commit capital on their exchanges achieve the common goal of enhancing corporate performance and long-term corporate value. These best practices are intended to enhance the management and monitoring of companies of any form and size in the exchanges, in which the various governing bodies operate in various legal, cultural, and economic contexts. They require a commitment to objectives from the jurisdictions of boarding and commitment to promoting the growth and effective functioning of the capital markets as part of country-level resources dedicated to the accountant. They also require a flexible approach to achieve governance objectives within the legal and operational framework provided by the exchange in accordance with the recommendations. Exchange cooperation on a common objective, the recommendation was also emphasized. (Russo and Neri2022)

7. Challenges and Opportunities for Implementing Good Governance in the Egyptian Stock Exchange

In developed countries, the role of the stock exchange goes beyond connecting entities in providing and seeking funds.

Research indicates that regulation and corporate governance practices at the exchange have significant impacts on the corporate and economic performance of companies, which in turn leads to growth and has a significant impact on a nation's economy. Consequently, good governance will entail strong economic growth, improved social indicators, and significant poverty reduction. (Al-Gamrh et al.2020)

Therefore, the key task is to promote an environment of good governance which will link economic activities firmly with the long-term interests of the shareholders, managers, and the society collectively. Such an environment could be sustained through the efforts of the company, government, and all interested parties working in harmony.

The challenges and opportunities for implementing and enhancing good governance practices at the Egyptian Stock Exchange (EGX) include the different institutional and ethical environment as well as different mechanisms of regulation of the capital market and/or the entities themselves. Despite these challenges, EGX provides a major opportunity to apply its unique role driven from the EGX's internal and external stakeholders as well as the duties of the board of directors. Companies should introduce good governance principles if they are to comply with regulations and provide confidence to their shareholders. The reform of these companies should become a national objective as they should play the role of a lighthouse, attracting foreign investments, improving local employees' skills, and championing anti-corruption behavior in a region that is crying out for this. As local market reforms are rudimentary in terms of good governance, the question is to enable the Egyptian players to be activists at the local level for reform progress in which they have a leadership role. (Shahwan & Habib, 2020)

8. Proposed Integrated Framework for Good Governance in the Egyptian Stock Exchange

The following seven principles are suggested for inclusion in the proposed integrated framework for good governance in the Egyptian Stock Exchange. These proposed dimensions should perfect the self-regulatory model, embrace venture's fragmented small emitters' expectations extremely high, diverse, and possibly conflictual expectations, and make them all agree within a harmoniously working system that emerges from the black box proposing an appropriately structured regulation model to fit ESE dispersed and possibly imperfect competitive spot.

8.1. Strengthening the Governance Structures and Mechanisms

Governance involves two categories of institutions, namely, decision-makers and those who monitor decisions. In the capital market, there are three groups of players that play crucial roles in the functioning of the market and overall economic landscape. The first group, which is of immense importance, includes shareholders who benefit from capital gains and dividends while holding a valuable stake in the companies. Through their investments, shareholders contribute to the growth and prosperity of these enterprises, making them vital contributors to the market's success. (Edmans, 2021)

The second group comprises managers who are entrusted with the responsibility to make decisions and proficiently run the enterprises on behalf of the shareholders. These managers possess the necessary expertise, skills, and experience to guide the companies towards profitability and sustainability. Managers strive to maximize value and ensure the long-term viability of the organizations. Their strategic vision and operational effectiveness are essential in navigating the complexities and challenges of the market (Taha et al.2023).

The third group encompasses stakeholders who hold a significant stake in the organizations, further expanding the realm of governance. These stakeholders can be diverse, consisting of employees, creditors, customers, suppliers, the environment, and the general public. Each stakeholder group has its own unique set of interests, considerations, and expectations. Employees seek fair treatment, adequate compensation, and a conducive working environment. Creditors hope for timely loan repayments and financial stability, while customers desire high-quality products or services. Suppliers rely on mutually beneficial relationships, and the environment advocates for sustainable practices. The general public looks for transparency, social responsibility, and ethical conduct from the organizations. Hence, it becomes imperative to address the interests of these diverse stakeholders to maintain harmonious and productive relationships (Rashid, 2021). The importance of these three groups cannot be overstated, but it is noteworthy that there exist challenges as well. The separation of control and ownership between shareholders and management can give rise to opportunity costs. This separation creates a need for robust mechanisms that align the interests of these decision-making groups within the entities. By establishing strong governance frameworks, companies can mitigate conflicts of interest, minimize agency problems, and foster an environment of trust, accountability, and transparency. Through effective board structures, clear communication channels, and ethical practices, companies can strike a balance that benefits all stakeholders involved (Dahlander et al., 2021).

8.2 Adherence to Regulatory Framework and Compliance

One of the critical aspects that control financial systems is to have regulation and supervision. Compliance with regulations is not an option but obligatory. In 1997, the Capital Market Law No. 95 was issued with its Executive Regulation to keep abreast of the local and international changes and became a necessity in view of the international standards, especially after the involvement of Egypt in the liberalization of prevention of capital. Several international institutions are aware of the

Egyptian local market developments, especially on the regulatory framework, with the adaptation of new and advanced technologies in the trading system.

The changes that followed the Capital Market Law No. 95 issued in 1997 resulted in several positive developments which provided the necessary environment that coordinates and connects the harmonization of international policies with the development of the standard for trading instruments. These develop hot patterns all over the world. This harmonization process influenced mainly newly developed and emerging markets in order to consolidate their local markets and avoid their fragmentation before it happens to the securities markets of many major industrialized countries by the previous path of technological progress.

8.3. Clarifying Transparency and Disclosure Practices

This section provides a detailed description of the corporate disclosure and transparency practices of listed companies in the Egyptian Stock Exchange and their response to the requirements of the Egyptian Capital Market Authority (CMA). Despite the importance of corporate transparency and its positive impact on corporate governance, there is almost no research that provides an understanding of a firm's transparency behaviors along with its intrinsic and extrinsic incentives. Good corporate governance requires a high degree of corporate transparency and disclosure.

Such transparency and disclosure can enhance market valuations and lower the cost of capital for a firm.

This is because lack of information often deters companies in emerging economies from gaining access to international and local investor funds. It should be emphasized that disclosure has a role mainly through its interaction with the legal environment and also with the quality of corporate governance and thereby can provide investors with useful information that could help them make informed decisions. In less-developed financial markets, one of the major issues regarding disclosure and transparency is that of publicly traded companies providing sufficient and relevant information to investors to enable an equitable reflection of market prices. Although the importance of enhancing disclosure and transparency is well-documented in the corporate finance literature, few studies have provided an in-depth analysis of the determinants and effects of these integrities. As the number of institutional investors increases in the Egyptian market, the old problem of information asymmetry may diminish in importance (Ibrahim and Ibrahim2021; Hassaan and Salah2023).

8.4. Ensuring Shareholder Rights and Engagement

Egypt has introduced laws and regulations that are aligned with international best practices. However, the actual implementation of these laws is still below international standards. This is confirmed by the weakness score for all the sub-indices. There is still a need to further develop the corporate governance framework in Egypt. This could be achieved through enhancing integrity, transparency, inclusion, fairness, effectiveness, accountability, ethical behavior, and the rule of law. (Farah et al.2021)

This paper examines the importance of shareholder rights and engagement in the Egyptian Stock Exchange. It uses an integrated model of corporate governance that combines the institutional and legal frameworks with shareholders' rights and practices to determine if companies listed on the EGX are achieving a score that is indicative of positive governance behaviors. The study finds that most companies listed on the Egyptian Stock Exchange meet the minimum requirements of the listed indices. However, despite the changes in the corporate governance frameworks in Egypt, the overall corporate governance quality, which can be seen as taking an umbrella view of the market, is below the global level. (Abdelfattah and Aboud2020)

Global awareness, including civil society and corporate governance codes, has led to a call for extensive disclosures of corporate behavior. The stock exchange should help the economic growth of the country, so it must encourage corporate governance based on transparency. A stock market must develop clear rules demanding that a certain level of corporate governance exists for investors to ensure greater confidence in the corporate structure itself, in particular ensuring that the company has a more specific common denominator as the protection of shareholders' interests. This could be achieved only by the policy of broader investor protection, including a power level. (Rustam et al., 2020)

8.5. Enhancing the Composition and Effectiveness of the Board

The board has a crucial role in ensuring good governance, controlling the entity and providing insight and the strategic guidance necessary to analyze the company's strategic transactions and international expansion. Effective governance benefits public companies and their shareholders. For boards to be effective, it is important that the board size and composition be set in a way which enables an effective control of the company by the board as a whole and that various key committees be established. According to EGX's governance practices, the board corresponds with the general meetings over the closure of the fiscal year and the allocation of financial incentives for executive management while focusing on the multiple functions for which it is responsible. It is able to discuss whether there is an effective executive management, as well as the interactions between executive management and shareholders (Wagdi et al., 2021).

EGX presents an efficient scientific plan with respect to corporate governance including a comprehensive site and related literature like rules, studies, statistical information, laws, and history of the governance of the ASE and companies. However, there is a significant concern that the board does not effectively direct the company and evaluate its performance and working methods to achieve the company's long-term targets and strategic regulations. For example, there is no discussion by the board concerning the company's performance. Moreover, the board is not up to the mark with the electronic communication to shareholders, nor do the needs related to the website of the governance. However, EGX approves letters stating the importance of the board, clear discussion of the company's state and performance and evaluation of the executive management. Additionally, the requirement for the audit includes keeping control and understanding the company's regulations, accounting controls, and regulations regarding corporate governance. (Elafify2021)

8.6. Assessing Risk Management and Internal Controls

Risk management and internal controls will include the various policies, processes, guidance, training, and oversight for managing risks from the internal environment, primarily if the quality and financial performance of the companies listed at EGX are right for their families, and the specs and other marketing or other portions of the listed companies' commitments. Different levels of 'legged controls' are layered over 'structural controls' using an internal and external audited and audit committee types of controls (Nuhaa et al.2021)

Different are the supporting mechanisms used to guide the company in achieving incentives to meet the company's obligations and help also in the realization of the internal and legislative mandates. These involve the people given primary responsibilities or authority to implement changes. For complex processes such as reorganization, the Management Audit Integrity Committees (MAICs) and Internal Audit Committees (IAIs) of the various committees, committees on problems that need to be solved, with the aid of specialists – those who have expertise in the matter and are objective and unbiased. Such assisting from advisory bodies and anti-fraud committees, as a function of efficacy of management's ability to avoid extrinsic directives or external forces unless there is a financial stake (Morel et al.2020)

8.7. Enhancing Ethical Practices and CSR

The Egyptian Corporate Governance Index (EGX20) consists of 20 Egyptian companies listed on the exchange. It is considered as one potential tool to enhance corporate governance practices and ethical behavior of the Egyptian companies. Throughout the semi-annual evaluation, the indexed companies are evaluated in terms of compliance with a set of international corporate governance standards and best practices. An important segment of this evaluation can be the extension of these criteria to include business ethics and corporate social responsibility. Moreover, the evaluation reports should be more detailed to reflect an overview of the situation of each company in a different set of corporate governance dimensions. The findings of these reports could be discussed later with the company managers to improve the corporate governance practices and develop an action plan to solve existing problems. (Yassen, 2021)

The challenges and recommendations to enhance ethical practices in the Egyptian Stock Exchange are numerous. The shortcomings of individuals working in the exchange can be overcome through increasing social integration, understanding the long-term value of delivering sustainable returns, as well as offering professional qualifications that offer behavioral and ethical training. Moreover, the formulation of a code of conduct and policy to guide the work of financial market actors is highly recommended. Discussing the code of conduct with leading local and international financial community representatives will increase the acceptance and adherence to corporate governance best practices and protect the financial society at large. (Ismail, 2020)

9. Comparative Analysis of Governance Frameworks in Other Stock Exchanges

This section of the paper will present the governance frameworks of three prominent European countries: the United Kingdom, France, and Germany. The main goal is to present a comprehensive comparison of their stakeholder-oriented corporate governance models. It is worth noting that while all three countries mandate the submission of Corporate Governance reports for companies listed on stock exchanges, the actual requirements differ significantly. These disparities highlight the distinct policy preferences of each country's corporate governance models and the level of adaptability within these frameworks (Aureli et al.2020).

The corporate governance code in the United Kingdom, for instance, imposes more detailed disclosure obligations for each of the prescribed requirements (Das, 2022). Listed companies in the UK are compelled to strictly adhere to the recommendations outlined in the code, or alternatively, provide a comprehensive explanation justifying their departure from the prescribed guidelines.

In the case of France and Germany, while they do not have a compulsory code that companies must explicitly follow. French companies are mandated to explain their reasons for non-compliance with each recommended principle. These explanations form a distinct section within the corporate governance report. On the other hand, the German code operates on a comply-or-explain basis, implying that companies are only expected to comply with the recommendations, or alternatively, deliver a detailed rationale for any deviations from the recommended practices (Delalieux & Moquet, 2020).

By exploring the governance frameworks of the UK, France, and Germany, we gain valuable insights into the intricacies and variances that shape their stakeholder-oriented corporate governance models. These differences in policy preferences and levels of flexibility underscore the unique approaches taken by each country to promote effective and transparent corporate governance practices.

Importantly, it is worth highlighting that compliance has experienced a noticeable and overall improvement over time, which is indeed encouraging. This commitment to compliance can also be witnessed in the case of French companies, particularly those encompassed by the extensive framework of the renowned stock market index known as CAC 40. Similar to their counterparts in the FTSE 350, these French firms have demonstrated a commendable level of adherence to the corporate governance principles outlined. Their consistent efforts in adhering to the regulatory framework serve as a testament to the commitment towards sound corporate practices and emphasize the importance of maintaining high standards across various economies (Mazol and Mazol, 2020).

Turning our attention to Germany, it is evident that companies operating within the nation also exhibit a relatively high degree of compliance when it comes to adhering to the corporate governance guidelines formulated by the esteemed government commission. German companies have shown a commendable commitment to upholding the standards of corporate governance, thus bolstering the overall reputation of the nation's business environment. The emphasis placed on transparency, accountability, and ethical decision-making within the corporate sphere is indeed commendable and contributes to fostering trust and confidence among stakeholders. (Lu and Wang2021)

These findings collectively emphasize the significance of corporate governance in enhancing overall business integrity and ensuring the sustainable growth and development of companies across different countries and markets. The willingness displayed by companies in multiple jurisdictions to adhere to the established principles and guidelines is a positive step towards fostering a responsible and resilient corporate ecosystem. With continued efforts and focus on upholding robust corporate governance practices, companies can strive to create long-term value while mitigating risks and building a solid foundation for success in an ever-evolving global business landscape (Lisson, 2022; Levit & Tsoy, 2022).

10. Recommendations for Enhancing Governance Practices in the Egyptian Stock Exchange

The following recommendations are meant to adapt the stock exchange to the conditions of the global capital markets that tend to prefer well-governed companies. Moreover, good governance reduces the cost of capital and also increases it. The value of the company increases when the cost of capital decreases. Also, the company becomes more attractive for potential investors. These recommendations are of great importance as they can help in reducing information asymmetry between the company and the market, and finally this will decrease the price volatility for the shares. The recommendations can be summarized in the following points:

1) The Egyptian stock exchange should organize awareness programs targeting companies listed at the stock exchange. These programs can help the companies understand and apply governmental requirements and how to disclose the board of directors' code of conduct and the major principles of governance.

2) The Egyptian stock exchange should participate in examining the financial reports of shareholders by studying the evaluation of the financial reports by shareholders, and disclosing the shareholders' complaints and the steps undertaken to solve these complaints. In addition, the stock exchange should issue its decisions periodically in order to help shareholders understand these decisions and the released companies' situation and its effect on the value of the companies. This will help in improving the credibility of the stock exchange and decreasing the information asymmetry between the company and the market. It will improve the companies' real life and hence the companies will become more attractive to the foreign investors.

3) The stock exchange should support cash flow operating and financing by classifying the companies according to the quality

of their cash flows by regular quarterly reports about these companies' cash flows. This will help investors in knowing the companies that have the high quality of cash flows and are able to distribute dividends and decrease the information asymmetry between the companies and the market.

Conclusion

This study marks a significant milestone in the current era, presenting a thorough and comprehensive outline of governance mechanisms for the budding Egyptian Stock Exchange to follow. These mechanisms align with recommended practices from both local and international standards, solidifying the study's impact on the stock exchange's future. Notably, the study stresses the significance of accountability principles, promoting independence, transparency, and shareholder protection to steer owners and executives towards maximizing shareholder wealth. Additionally, it underscores the pivotal role of the board in corporate governance, guiding strategy development, policy-making, risk assessment, and compliance with integrity and ethical conduct. By upholding legal requirements and disclosed objectives, the board governs the reputation, values, and business practices of corporate members within society. Through these efforts, corporate entities contribute significantly to societal development. In essence, this study not only stands as an innovative piece of research but also lays the groundwork for advancing good governance practices in the emerging Egyptian Stock Exchange.

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