
CHAMBERS GLOBAL PRACTICE GUIDES

Banking Regulation 2023

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Egypt: Law & Practice

Mahmoud S. Bassiouny and Iman Nassar
Matouk Bassiouny

Law and Practice

Contributed by:

Mahmoud S. Bassiouny and Iman Nassar
Matouk Bassiouny see p.15



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1. Legislative Framework

1.1 Key Laws and Regulations

Law No 194 of 2020 Issuing the Central Bank and Banking Sector Law (the New Banking Law) was introduced on 15 September 2020, replacing the previous banking legislation, the Central Bank Law of 2003 (the Old Banking Law). It provides a level of detail to a number of matters that remained unaddressed under the Old Banking Law, and also expands and/or clarifies some existing topics, such as the following:

- an expanded supervisory and regulatory role for the Central Bank of Egypt (CBE);
- data privacy and security;
- clarification and organisation of the process for taking collateral for foreign banks;
- consolidation of the government's approach of generalising cashless payments (in tandem with Law 18 for 2019 regarding cashless payments);
- clear permissibility for repo transactions;
- capitalisation requirements; and
- the creation of a licensing regime for fintech and e-payments activities.

In addition to this new legislation, the CBE also routinely issues regulatory directives and circulars on a range of topics, complementing the New Banking Law and providing guidance on the implementation of the law. The CBE is considered the bank of the government and can guarantee funds raised by different governmental entities. It also maintains reserves of foreign currencies and can provide bailouts to distressed banks, subject to certain conditions.

2. Authorisation

2.1 Licences and Application Process

A licence for operating banking activities in Egypt must be given through a process detailed in the New Banking Law under supervision from the CBE. The CBE also oversees the licensing of foreign currency exchange firms, credit rating agencies, money transfer companies, credit guarantee companies and operators of payment systems.

Banking activities are defined in the New Banking Law as activities that are undertaken in a recurrent and habitual manner and include the acceptance of deposits, raising funds, and the investment of funds in debt and equity financing, in addition to any activities customarily considered as banking activities.

A banking licence can be given to a joint-stock company, a branch of a foreign bank or a representative office. The board of the CBE can grant a preliminary approval for a banking licence to a joint-stock company or a branch of a foreign bank subject to certain conditions, inter alia, as follows:

- the issued and paid-up capital must be at least EGP5 billion, or USD150 million or its equivalent for branches of foreign banks;
- the ultimate beneficial owners can be clearly identified from the ownership structure and the legitimacy of the capital funds is established;
- the licensing must not contravene the general economic interests in Egypt;
- the licensing must not jeopardise competition and antitrust laws;
- the name of the bank must not be similar to any other bank operating in Egypt;

- the applicants must demonstrate a solid financial and economic feasibility study that includes the objectives and targeted operations, in addition to a market study on how to employ assets; and
- the bank must have clear internal auditing and risk management systems in place, and shall identify the governance and other strategic policies followed in its operations.

Furthermore, the branch of a foreign bank or the applicants for a licence of joint-stock companies that have a foreign parent financial institution must show that such foreign bank or parent institution is regulated under the framework of a regulator similar to the CBE. The consent of such regulator must be obtained, as must its acceptance to exchange information and co-operate with the CBE in implementing its role.

Applicants for a banking licence must submit their request accompanied by all the mentioned documents and information. The fee for submitting an application for a preliminary approval of a banking licence is EGP1 million for a joint-stock company and USD50,000 for a branch of a foreign bank. The board of the CBE must issue its decision within 90 days of the submission being completed.

If the application is approved, the applicants must finalise the establishment of a joint-stock company or a branch, as the case may be, within one year from the approval in relation to joint-stock companies and six months in relation to branches. The preliminary approval and all required documents will then be submitted a second time for the final approval of the board of directors of the CBE.

The licensing for branches of a foreign bank requires an additional step whereby for-

foreign banks guarantee all the deposits of the branch, the rights of its creditors and all other liabilities. The registration of a new bank or a branch must then be annotated in the register of banks maintained by the CBE. The fees for this are EGP500,000 for the headquarters and EGP250,000 for any branch registered, or EGP100,000 for small branches or agencies.

Foreign banks are further allowed to establish a representative office in Egypt after obtaining a licence from the CBE. The activities of a representative office must always be limited to market studies and investment opportunities; these entities are not allowed to perform any commercial or banking activities.

The New Banking Law also includes several other provisions for the licensing of foreign currency exchange firms, money transfer companies, payment facilitators, credit guarantee companies and payment aggregators. However, these provisions leave the details of the licensing processes to be decided by the board of directors of the CBE.

3. Control

3.1 Requirements for Acquiring or Increasing Control over a Bank

The ownership of share capital in Egyptian banks is allowed equally for Egyptians and foreigners, whether individuals or companies, subject to several rules that relate to the percentage of ownership. Any ownership between 5% and 10% of the issued share capital or voting rights of a bank requires the owner to notify the CBE within a maximum of 15 days from the date of acquiring ownership.

If the ownership of bank-issued share capital or voting rights is anticipated to be more than 10%, then the prior approval of the CBE must be obtained. Any request to acquire more than 10% of bank-issued share capital must be submitted at least 60 days prior to the date of acquisition. The applicant must demonstrate solid creditworthiness and its objectives in respect of the acquisition and details of its strategies of participating in its management.

An applicant for more than 10% of the issued share capital of a bank must also clarify its own capital and ownership structure (if a company) and identify all its related parties and ultimate beneficial owners. The CBE checks whether the applicant has the financial capabilities and expertise to support the capital structure of the bank and to implement its objectives without adversely affecting competition in the banking industry.

If the applicant is a foreign bank, the consent of the regulatory authority in its jurisdiction must be obtained to allow for the co-operation and sharing of information between the CBE and such authority. The CBE must reply to the applicant within 60 days; if approval is given, the applicant must finalise the acquisition within six months of the approval date.

4. Supervision

4.1 Corporate Governance Requirements

The New Banking Law and the Governance Instructions issued by the CBE on 23 August 2011 must be read together as a comprehensive guideline for governance rules in the banking sector. The CBE also issues regular circulars addressed to the senior management and boards

of directors of banks to provide instructions on certain matters of corporate governance.

4.2 Registration and Oversight of Senior Management

The appointment of senior executives in banks must be approved by the Governor of the CBE in accordance with Article 120 of the New Banking Law. Senior executives are defined as chairpersons, board members and executive directors of the main and oversight activities as specified in detail by the board of directors of the CBE. The approval of the Governor is necessary for vetting the technical competence and capabilities of the candidate prior to appointment.

The senior executives must observe the following principles in performing their roles:

- complying with the laws and regulations, and exerting the due care required for their profession;
- co-operating with the CBE and reporting any incidents of material breach;
- supervising and ensuring that operations are efficient within their departments and delegating their powers to competent personnel, although a senior executive will remain responsible for any matters delegated to others; and
- providing information to clients with transparency and avoiding any conflicts of interest.

A board member of any bank must not simultaneously be a board member of any other bank or credit agency. Additionally, a member cannot participate in management or consultancy activities with other banks or credit agencies. A bank may not extend lending nor guarantee the facilities of its chairman, board members, auditors or any of their spouses or second-degree relatives, including any companies in which these persons

have a controlling stake, excluding those subject to a cash collateral and the like, or those granted to the managing director or regional manager of branches of foreign companies (as the case may be) within the scope of the privileges granted to their personnel and subject to the same conditions as well as disclosure requirements.

4.3 Remuneration Requirements

The Governance Instructions provide that a committee of three non-executive board members must be established in each bank to set the rules and recommendations for the remuneration scheme of senior executives and board members. The financial remuneration includes matters such as salaries, allowances, in-kind benefits, share schemes and any other bonuses or financial benefits.

The committee has certain guidelines to follow, for example:

- the auditing roles in the bank must be given adequate remuneration without compromising their independence;
- a comparative study with other institutions' salary schemes must be conducted to attract and maintain talent;
- a written policy on the salary and bonus schemes must be in place and reviewed and updated regularly. The board of directors shall ratify the policy and disclose the aggregate amount of the 20 highest-paid individuals in the bank; and
- a performance-based approach must be applied in deciding the level of financial remuneration and, specifically, long-term assessment criteria must be adopted rather than relying on short-term goals.

5. AML/KYC

5.1 AML and CFT Requirements

The Anti-Money Laundering Law No 80 of 2002 (the AML Law) regulates the methods and obligations of different stakeholders to combat money laundering and the financing of terrorism. It imposes certain obligations on financial institutions to apply “know-your-customer” measures prior to establishing a relationship with clients or undertaking certain transactions.

Any bank must request the necessary documentation evidencing the ultimate beneficial ownership of any new corporate client. This must be supported by declarations and a list of shareholders or partners for each shareholder of the entity as established in each jurisdiction. This line of ownership must be traced by the bank up until the ultimate individuals vested with beneficial ownership, to scrutinise any relationship with terrorist organisations or money laundering activities.

The bank must further request all other documents supporting the due incorporation and legitimate activities of the shareholders of the client, such as the articles and memorandum of association, the certificate of registration, and the lists of directors and shareholders. This information must be reviewed and updated regularly by the bank throughout the term of the relationship with its clients.

Banks' obligations under the AML Law extend to monitoring transactions processed within the bank and reporting any suspicious activities on accounts. This might require the bank to request supporting documents from the client for deposits, money transfers or trade transactions, to check that the funds are not passing through

sanctioned countries or the hands of terrorists and sanctioned groups.

The CBE has created an anti-money laundering and terrorist combating unit to receive any suspicious reports from banks in this respect. Each financial institution must appoint an anti-money laundering officer to be responsible for processing any alarms raised by the operation staff and for reporting incidents to the combating unit of the CBE.

6. Depositor Protection

6.1 Depositor Protection Regime

Chapter 14 of the New Banking Law provides that a fund affiliated to the CBE must be established for guaranteeing the deposits of bank's clients. This fund – the Guarantee of Deposits Fund (GDF) – has an independent legal personality and budget. The GDF articles of association shall provide – inter alia – the following:

- the mechanism by which the fund will achieve its goals and regulate its relationship with banks;
- the structure of its board of directors and work systems;
- the share of participation of each bank in its capital, and the annual membership fees;
- the limits and amounts of deposits that can be guaranteed by the fund; and
- the sources for raising funds and investment opportunities.

The CBE has the power to impose penalties on banks if they breach any of the articles of association of the fund or the related implementing decisions. To the best of our knowledge, the provisions of Chapter 14 of the New Banking Law

have not been implemented yet, whereby the GDF has not been established to date.

7. Bank Secrecy

7.1 Bank Secrecy Requirements

The New Banking Law deems the data of a bank's clients to be confidential, including data in respect of bank accounts, deposits, safe locks and any related transactions. The bank must not permit the disclosure of such information to any party, unless the prior written consent of the account holder or a proxy or a delegation is obtained. This obligation of confidentiality is a continuing one and remains in place even after the relationship between the bank and the client is terminated.

Certain exceptions apply to the secrecy of account information, such as in cases of a court order or an arbitral award allowing the disclosure of information during a lawsuit or arbitral proceedings. Also, if the investigations of a felony or misdemeanour require the disclosure of account information, the public prosecutor or any of its delegated senior attorneys general may apply for the permission of the Cairo Court of Appeal to disclose this information.

Any person who receives account information during the course of their mandate must not disclose this information to any other person. This obligation remains even after the termination of their mandate. The New Banking Law also provides that the confidentiality of account information does not apply in the following situations, inter alia:

- for the performance of the roles and responsibilities of the auditors of a bank;

- when the bank is obliged to issue a reasoned rejection to the beneficiary of a returned cheque;
- when a bank is suing a counterparty in a legal dispute and the disclosure of certain client information is necessary for that purpose; and
- in the event of a necessary disclosure in accordance with the AML Law.

Any breach of the obligations to maintain the confidentiality and secrecy of client information under the New Banking Law is penalised by imprisonment of not less than one year and/or a fine of between EGP200,000 and EGP500,000.

8. Prudential Regime

8.1 Capital, Liquidity and Related Risk Control Requirements

The CBE's Adoption of the Basel III Guidelines

The CBE adopts the guidelines of Basel III through its regulatory circulars and decisions addressed to banks. There is a dedicated sector within the structural organisation of the CBE that is entrusted with several aspects of the adoption of Basel requirements. The Basel Sector of the CBE regularly follows up the latest updates in the Basel requirements and seeks methods to implement them in the banking sector. It further updates the guidelines in Egypt and conducts training for employees in co-ordination with foreign regulatory bodies and authorities. In the same vein, the Basel Sector is currently concerned with the issuance of updated papers and models of a Quantitative Impact Study (QIS) under the framework of updating Basel III (Basel IV), with which banks operating in Egypt are expected to abide as of 1 January 2022.

All banks operating in Egypt (except for branches of foreign banks) are required to maintain a minimum capital ratio of at least 10% of their risk-weighted assets to mitigate any credit, market or operational risks. This applies to banks on a consolidated basis, including any group companies that undertake banking activities or financial institutions (except for insurance companies) in which banks or their related parties own more than 50% of their equity rights, or any other controlling percentage.

The capital basis, as defined by the CBE regulations, consists of two tiers. Tier 1 comprises the core capital (common equity) and additional capital (additional going concern). The core capital consists of ordinary shares representing the issued and paid-up capital, in addition to retained earnings or losses and any reserves (eg, legal and capital reserves).

This core capital excludes any treasury shares, intangible assets, receivables from securitisation transactions, pension benefits, deferred recoverable tax assets and investments in insurance and financial companies subject to certain percentages. The core capital is also adjusted to exclude certain provisions made for reserves of generic banking, foreign currency discrepancies and cash-flow risks, among other things.

The additional capital consists of preferred shares, interim profits or losses, minority rights and the discounted value of any shareholder loan calculated based on the interest rate of treasury bonds. The supplementary capital must comply with certain guidelines, including:

- it has to be issued and paid up in full;
- it has to rank behind depositors and creditors in the event of liquidation; and

- it has to be unsecured and uncovered by the right-holders.

Identification of Systemically Important Local Banks in Egypt

In addition, the CBE has regularly followed the developments and updated rules issued by the Basel Committee on Banking Supervision, including an initiative to conduct a study in 2017 to identify the systemically important local banks in Egypt.

In order to do this, the CBE assigns a relative weight for certain indications, including the aggregate exposure used in calculating leverage, aggregate deposits, assets held with other local banks, liabilities due to other banks, volume of payments settled, assets held with offshore banks, and liabilities due to offshore banks.

The CBE then assigns five categories of systemically important banks based on the above criteria. These banks have more requirements on their additional capital to ensure a higher loss absorbency ability. The additional capital requirements for systemically important banks range between 1.25% for category 5 and 0.25% for category 1. The criteria for identifying the systemically important banks are revisited regularly by the CBE in case of any market developments within periods that do not exceed three years.

The CBE has also issued several circulars concerning the requirements of a minimum capital conservation buffer and the maintenance of certain liquidity coverage ratios, in addition to other rules to mitigate concentration risks and interest rate risks related to trading books of banks. All banks in Egypt, except for branches of foreign banks, are required to comply with the ratios specified by the CBE to manage their credit, market and operational risks.

9. Insolvency, Recovery and Resolution

9.1 Legal and Regulatory Framework

The financial distress of any Egyptian bank is regulated by Chapter 12 of the New Banking Law, which excludes banks from the purview of the Restructuring, Reconciliation and Bankruptcy Law No 11 of 2018, which is the general legislation regulating the bankruptcy of companies in Egypt. The New Banking Law designates the CBE as the authority entrusted with regularising the status of banks in financial distress. For that objective, the CBE is given wide powers and means to put into effect the provisions of the New Banking Law.

Chapter 12 of the New Banking Law aims to achieve general objectives such as maintaining the stability of the banking system, protecting the interests of depositors, mitigating losses for creditors, and avoiding the utilisation of public funds in any settlement process. The guiding principles include ensuring the proportionality of the measures with the level of distress, absorbing any losses through equity rights as an initial resort, and giving all creditors of the same rank similar treatment.

Banks in Financial Distress

The CBE may issue a decision that a bank is in financial distress in the following cases:

- the financial position of the bank concerned is poor, or the interests of depositors are at risk;
- the bank fails to meet its liabilities in respect of depositors or other creditors;
- the bank's liabilities exceed the value of its assets;

- the value of the bank's shareholders' rights is decreased in comparison with the allocations that should be formed;
- the bank fails to have access to funding resources or the financial markets;
- the bank fails to adhere to the limit of the capital adequacy ratio or the liquidity ratio, or any other applicable supervisory ratios determined by the CBE's board of directors;
- the value of the bank's assets or profits significantly decreased in a way that threatens its ability to operate;
- the bank is relying on exceptional and onerous financial resources to conduct its normal course of business;
- the banking licence has been cancelled pursuant to Article 173 of the New Banking Law;
- the bank fails to undertake the procedures related to the early intervention prescribed under Article 147 of the New Banking Law; or
- the branch of a foreign bank fails to meet its liabilities as well as those of the bank's head office as per the unconditional security provided pursuant to Article 68 of the New Banking Law, and the competent authority in the state of its head office does not issue a decision to settle the bank's status within the period determined by the board of directors of the CBE.

In all cases, early intervention or any other procedures are not deemed conditions precedent to initiate the settlement process for a distressed bank.

The CBE is entitled to issue a reasoned decision that a bank is in financial distress and to initiate the settlement of its status. Such decision shall be valid for a period of one year as of the publication date or the date upon which the relevant party is notified of such decision (as the case may be). The board of directors of the CBE is

entitled to cancel the decision issued in respect of the settlement of a distressed bank's status at any time if the reasons for the issuance of such decision no longer exist.

If the CBE has decided that a bank is in financial distress, the consequences will be as follows:

- all the competencies related to the general ordinary and extraordinary assemblies, the board of directors and the executive administration will be transferred to the CBE, unless otherwise determined by the CBE;
- the distribution of any profits or any other form of capital distribution to the shareholders or others will be suspended;
- the disbursement of due payments to the senior executives will be suspended, except those related to the businesses or services determined by the CBE; and
- any lawsuits filed by the creditors against a bank under settlement will be suspended for a period of 90 days as of the date upon which the bank's financial distress was published.

Moreover, the CBE may reschedule all or part of the dues owed by a bank for a period not exceeding 60 days, except for clients' deposits as well as dues related to payment and settlement systems, operators of such systems or the participants therein. It may also suspend the application for early termination of financial contracts to which the bank under settlement is a party to, according to certain regulations.

The CBE may undertake any of the below procedures, upon publishing that a bank is in financial distress without obtaining the approval of the bank's shareholders, creditors or debtors:

- dissolving the distressed bank's board of directors and appointing a delegate to carry out the management activities;
- fully or partially suspending the bank's operations or certain activities;
- reducing the nominal value of the bank's shares or the number of issued shares;
- recapitalising the bank by issuing new shares or any other tradable securities;
- reducing the value of some of the bank's liabilities or converting such liabilities to shares in its capital or in the interim bank;
- terminating or amending any provisions of any contract or debt securities to which the bank under settlement is a party;
- assigning all or some of the rights, liabilities and assets owned by the distressed bank to another bank or the interim bank;
- merging the distressed bank with another bank or transferring its title to shares; and
- filing civil lawsuits claiming compensation or in order to recover any monies. Such lawsuits will be filed against any of the shareholders or senior executives, or the employees responsible for such financial distress.

As per the New Banking Law, if the settlement process of a distressed bank requires the approval of the Financial Regulatory Authority or any other competent authority, such request shall be reviewed within three business days of the application date.

Upon undertaking settlement procedures, the CBE shall observe the following:

- the ranking of the creditors pursuant to Article 175 of the New Banking Law, notwithstanding the CBE's authority to exclude some of such obligations as per Article 163 of the New Banking Law; and

- abidance with the principle of equal treatment among creditors of the same ranking, without prejudice to considerations of the stability of the banking system.

By virtue of a resolution by the CBE board of directors, a fund affiliated to the CBE shall be incorporated with a view of funding the settlement of distressed banks procedures. This fund shall have an independent legal personality and budget, and its resources shall comprise banks' contributions as well as profits associated with its investments, whereby the required funds shall be collected within ten years from the date the New Banking Law came into effect. As far as is known, no such fund has yet been established.

10. Horizon Scanning

10.1 Regulatory Developments

Mobile Payments

According to Article 5 of the New Banking Law, the board of directors of the CBE shall issue a number of regulations and resolutions in relation to the New Banking Law. By way of example, the CBE recently issued the third version of the mobile payment regulations, dated 5 May 2021, replacing the applicable regulations issued in November 2016 and any amendments thereto. The scope of application of these regulations excludes payment services using other means, such as ATM and internet/mobile banking services. A service provider is thereunder defined as any entity with which a bank enters into an agreement to provide the services enumerated under Article 3-2 of the regulations, provided that said entities deposit cash funds (EGP) or adequate securities at the bank in return for their receipt of electronic money units. Accordingly, a service provider shall be financially sound and reputable, as well as having an opened credit

account at the bank. Needless to say, the volume of the electronic money units granted thereto shall be limited to the cash funds (EGP) or securities deposited thereby at the bank.

Concurrently, a service provider shall neither receive any monies from users without transferring the equivalent electronic money units thereto nor receive such units without collecting the equivalent cash funds (EGP) from such users. It shall submit the necessary KYC documentation of applicants to the bank in accordance with the applicable regulations, and install an adequate outlet for the financial transactions. It shall also ensure the availability of adequate liquidity to cover any anticipated cash withdrawals. The contractual arrangement of the parties shall explicitly prohibit the service provider from assigning or transferring the performance of the services to third parties. Furthermore, a service provider shall disclose its sub-merchants' networks and outlets as required by the bank, so that the latter would be able make such data available to its customers.

Any bank that wishes to provide the services mentioned above or to add further mandates to the services it performs shall obtain the approval of the CBE upon satisfying the requirements enumerated under the regulations.

New regulations and services

The CBE introduced regulations on the interoperability of cash deposit and withdrawal services via service providers in July 2021, under which a service provider is defined as any financially sound entity that enters into an agreement with a bank to provide cash deposit and withdrawal services upon obtaining the approval of the CBE as further illustrated thereunder. Such agreement shall contain the following:

- determination of the contractual obligations of the bank and service provider;
- adherence of the service provider to any confidentiality obligation and prohibition of any disclosure or usage of customers' data, except within the scope of the agreement or as otherwise required by law;
- entrance into a non-disclosure and service-level agreement to regulate the relationship of the parties;
- entitlement of the bank/CBE to supervise the performance of the service provider to ensure the compliance of its work policies with the regulations issued by the bank and the CBE;
- evidence of the adequacy of the termination and rescission procedures; and
- illustration of the dispute settlement mechanism.

In this regard, any bank that wishes to perform the aforementioned services shall obtain the approval of the CBE and satisfy the requirements enumerated under the aforementioned regulations.

Having regard to Article 94 of the New Banking Law, the CBE issued the banking recovery plans regulations on 2 September 2021. These regulations require banks to prepare recovery plans and update them on a biennial basis (as opposed to the update on an annual basis for their systemically important local counterparts) and also whenever their activities, structure, recruitment or adopted assumptions materially change. The CBE shall review said plans to assess the following:

- their compliance with the provisions of the aforementioned regulations;
- their adequacy and completeness;
- their enforceability and their ability to restore the stability of the bank, the preservation of

its financial soundness and the continuance of activities;

- the repercussions of their adoption on the bank and the banking sector as a whole; and
- any other matter, including its appropriateness with the activity plan and volume of the bank as well as the banking sector as a whole.

In the same vein, any bank shall review its recovery plan as required by the CBE, noting that said plan shall not prejudice the CBE's authority to take any other procedure as provided under the New Banking Law. Furthermore, the CBE may require any bank to take one or more procedures as illustrated under its recovery plan if any of the early intervention events are triggered, in accordance with the New Banking Law.

In an unpublished letter to banks dated 13 February 2022, the CBE has instructed banks to suspend dealing with documentary collection to facilitate importation transactions, whereby restricted these to letters of credit (LCs) issued by banks. The same letter further exempts (i) branches of foreign companies and affiliated entities; and (ii) documentary collection issued in respect of goods shipped prior to the issuance of such letter.

Further, in a published decree dated 2 March 2022 and its amendments, the CBE responded to a number of banks' queries. Most notably, it defined "affiliated entities" thereunder as the Egyptian companies affiliated to foreign companies where the foreign shareholding percentage exceeds 50% thereof, whether directly or indirectly. The decree mentioned excluded the following from its scope of application:

- goods previously shipped prior to the issuance of the decree mentioned, allowing these

to be dealt with via documentary collection at the request of the customer;

- branches of foreign companies as well as affiliated entities to foreign companies within the scope of importation transactions from the mother company and its group solely;
- shipments by express delivery;
- shipments up to USD500,000 or its equivalent in other currencies;
- medicines, vaccines, their chemicals, human corneas, medical supplies, production requirements for medical supplies, and medical laboratory supplies;
- the following food commodities (tea - meat - poultry - fish - wheat - oil - powdered milk - baby milk - beans - lentils - butter - corn - rice); and
- production supplies and raw materials.

According to Article 10 of the New Banking Law, the board of directors of the CBE may grant an emergency funding to any bank suffering from a liquidity shortage, subject to the following conditions:

- solvency of the bank;
- the tenor shall not exceed 180 days, extendable to another period/other periods, but shall not exceed one year;
- the funding shall be supported by an adequate security package accepted by the CBE; and
- the applicable interest rate shall be higher than the average market value of debt.

In the same vein, the CBE has issued a recent decree dated 10 January 2022 in respect of emergency liquidity assistance. Accordingly, the CBE may grant emergency liquidity assistance to banks as a final resort if the said bank fails to meet its liquidity requirements from the inter-bank or any other financial market. That said,

such liquidity shall not be used to fund dividends distribution, shares repurchase, board of directors or personnel remuneration distribution or financing to related parties to the bank. The security package shall be restricted to the provision of financial instruments or paper issued by the Egyptian government, noting the board of directors of the CBE may accept other types of security. This shall be deposited at the CBE or any other entity determined thereby in accordance with its board of directors' resolution. In the event the bank fails to repay the outstanding amounts upon becoming due or the CBE refuses to extend its tenor, the CBE may liquidate the granted security and use it for repayment. Any excess funds (if available) shall be deposited at the concerned bank's accounts at the CBE.

11. ESG

11.1 ESG Requirements

The CBE issued a recent decree dated 3 November 2022 regulating sustainable finance. Accordingly, it instructed banks to adopt sustainable finance policies within its credit and investment

policies and related procedures in light of the CBE directory principles of sustainable finance dated 18 July 2021. These policies and procedures shall be provided to the CBE by no later than 1 October 2023. Additionally, the board of directors of banks shall observe the adherence to such policies and procedures and ratify any reports prepared in this respect. Further, banks shall incorporate an independent sustainability and sustainable finance administration affiliated to the chief executive officer (managing director) or their deputy by no later than 1 April 2023 with the view of arranging with the different sectors of the bank. The administration mentioned shall observe the adherence to the CBE directory principles of sustainable finance. Further, banks shall prepare regular reports as further illustrated under the CBE regulations and provide these to the CBE sustainability administration. Moreover, as of July 2023, banks shall resort to an environment consultant as authorised by the Ministry of Environment to evaluate environmental risks of projects of large companies requesting any funding, to obtain their opinion in respect of the credit decision.

Contributed by: Mahmoud S. Bassiouny and Iman Nassar, **Matouk Bassiouny**

Matouk Bassiouny is a leading, full-service MENA region law firm with offices in Algeria (Matouk Bassiouny in association with SH-Avocats), Egypt (Matouk Bassiouny & Hennawy), Sudan (Matouk Bassiouny in association with AIH Law Firm) and the United Arab Emirates (Matouk Bassiouny), as well as a country desk covering its Libya practice. The firm's attorneys specialise in advising multinationals, corporations, financial institutions, and governmental entities on all legal aspects of investing and do-

ing business in the MENA region. The primary goal of the finance and projects group is to provide clients with legal advice on the banking and finance sector in Egypt and on the strengths and weaknesses of security available to lenders in the Egyptian market. The group maintains close relationships with Egyptian financial institutions, giving it first-hand knowledge of what constitutes commercially acceptable solutions for major institutions involved in large-scale deals.

Authors



Mahmoud S. Bassiouny is the regional managing partner of Matouk Bassiouny and head of the firm's finance and projects group. He advises major oil and gas players, public and private

parties, lenders, and consultancy firms. Mahmoud has extensive experience in matters of security creation and perfection across various sectors, including aviation, real estate development, heavy industries, and power and infrastructure. His experience in trade and project finance and in the oil and gas industry has earned him the trust of large commercial banks, export credit agencies, and major players in the energy industry, such as HSBC, US EXIM, and Union Fenosa Gas.



Iman Nassar is an associate at Matouk Bassiouny. Her areas of expertise include the drafting and negotiation of facility agreements, finance documents, and term sheets, and advising

on financial technology, including mobile payment, electronic payment, and internet banking services. She also advises on the incorporation of establishments in Egypt and the supervision of their day-to-day business, ensuring compliance with local laws and corporate governance.

Matouk Bassiouny

12 Mohamed Ali Genah
Garden City
Cairo
Egypt

Tel: +202 2796 2042
Fax: +202 2795 4221
Email: info@matoukbassiouny.com
Web: www.matoukbassiouny.com



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